Annual Report 2011-12 focusing our vision...
...on connecting
About Queensland Law Society

We represent more than 10,600 members – comprising lawyers, future lawyers and those with an abiding interest in our profession. The Society is funded by a number of sources, including annual membership fees paid by members.

In addition to specific statutory responsibilities relating to the regulation of solicitors in Queensland, the Society leads the profession’s knowledge development and exchange through its extensive professional development offering. It supports good legislation through advocacy, and provides comprehensive services and support to its members and the community.

OUR VISION

To be the leading legal professional membership association in Australia.

OUR MISSION

To provide leadership in law to our membership, stakeholders and the community through the provision of relevant, high quality services, products and information, and through effective advocacy on issues affecting the profession.

OUR VALUES

Respect  we will value people and acknowledge their contributions.

Integrity  we will be honest and fair in all our actions.

Service  we will work together to anticipate needs, exceed expectations and honour commitments.

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Queensland Law Society aims to provide accessible services to all Queenslanders. If you require assistance in understanding the Annual Report, please contact us on 07 3842 5842 for assistance or referral to interpreter services.
27 September 2012

The Honourable Jarrod Bleijie MP  
Attorney-General and Minister for Justice  
Level 18, State Law Building  
50 Anne Street  
Brisbane Qld 4000

Dear Attorney

**Annual report 2011/12 for Queensland Law Society**

I am pleased to present the Annual Report 2011/2012 and financial statements for Queensland Law Society. I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, and
- the detailed requirements set out in the Annual report requirements for Queensland Government agencies.

A checklist outlining the annual reporting requirements can be accessed at qls.com.au.

Yours sincerely

John de Groot  
President  
Queensland Law Society
Queensland Law Society is the forward-thinking, dynamic hub of Queensland’s legal community and we are committed to becoming the leading legal professional membership association in Australia.

Our 2011/12 Annual Report provides an overview of our progress towards achieving this vision. This report outlines the key activities undertaken by the Society which demonstrate our progress against the Society’s Strategic Plan 2011/12, our strategic planning document which forms the basis for our operational plan and budget. Key to this year, our primary objectives in supporting our members were to:

• position members to benefit from the National Legal Profession Reform
• advance member interests through advocacy, ethics, learning and development and practice support services

Additionally, we had a major focus on strengthening our organisational capability, our internal systems and processes and our financial management work to support the realisation of our vision.

Purpose of the report

The Society is incorporated under an Act of Parliament – the Legal Profession Act 2007 (Qld) – and is governed by a Council, which is elected by the membership.

The Society is defined as a statutory body in the Financial Accountability Act 2009 (Qld), and is therefore required to prepare an Annual Report each financial year. The Society however, remains an independent professional body, subject to the governance of its elected Council. The Attorney-General is represented by a nominee who is a Queensland solicitor in private practice.

This report highlights our commitment to transparency and accountability and to effective corporate governance. We are singularly member focussed. We aim to provide the best possible advice, support, services and products to provide value for our members.

This report outlines:

• how we have achieved against our strategic plan
• our priorities for the year ahead; and
• our revenue and how we have used member funds.
Our highlights 2011/12

Queensland Law Society proudly represents Queensland’s solicitors, providing leadership in law through support of the legal profession, advocacy of legal issues and a commitment to build the profile of solicitors and the law. The 2011/12 financial year was a year dedicated to advancing member interests through advocacy, ethics, learning and development and practice support services and delivering several strategic initiatives.

Financial highlights

Our consolidated results include the Society’s membership activities, insurance activities (through Lexon Insurance Pte Ltd and Law Claims Levy Fund) and the regulatory responsibilities that the Queensland Law Society carries out under legislative requirements.

Parent entity, Queensland Law Society Incorporated

Queensland Law Society (the parent entity) reported an operating surplus of $722k compared to the prior year’s surplus of $1.158m.

Overall revenue was favourable compared to last year with growth in the profession and resulting membership fee income. Our event revenue was slightly ahead of last year which was a good result in difficult economic conditions. This was offset by some falls in advertising revenues. Overall sponsorship revenue increased. Despite falling cash rates, our interest returns increased.

We continued our emphasis on managing controllable costs, and the majority of costs increased by less than CPI. The number of full-time equivalent employees remained stable throughout the year. Net assets of the parent entity are $50.8m, up from $49.7m the prior year (which includes a $400k increase in the building valuation). We use these retained surpluses to deliver major strategic projects for members, for example the development and implementation of a new member relationship management system, which will enhance the delivery of tailored information to members. We also need to have appropriate reserves to deal with any changes which may flow from the National Legal Profession Reform implementation.

Insurance scheme

(comprising Lexon Insurance Pte Ltd and Law Claims Levy Fund)

- The insurance scheme reported a surplus of $881k compared to $7.9m for 2010/11. This result is attributed to a reduction in collected insurance levies as a result of the reduced levy rates (overall levies collected reduced $1.2m), the decline in the weighted average risk free rate from 4.9 percent to 2.61 percent which increased the prior year claims discount by approximately $3m, and negative investment returns of 1.9 percent in the equity portion of the portfolio.
- The QLS levies are at their lowest since the introduction of the Gross Fee Income model in 2007/08.
- Overall predicted claim numbers for 2011/12 are the lowest they have been since 2002/03 (Lexon commencement).
- The insurance scheme has in place an investment policy statement which provides a framework for managing the investment portfolio. Throughout the year the scheme maintained more than 70 percent of investments in income securities, with the balance in equities, credit and property.
- The scheme reported returns of six percent from income securities and 1.9 percent from equities, credit and property, giving a combined result of 3.7 percent.
- While we hold a largely defensive portfolio, our equity funds have not been immune to the falling markets. A large portion of our non-equity portfolio is income-based and moves favourably when there are expectations of interest rate decreases, and our portfolio has benefited from this this year. Only a small element of our portfolio does not directly move with interest rate expectations or equity market movements.

Age of solicitors (full members only)
Operational highlights

- Full membership grew three percent to 8,761
- 9,372 practising certificates were issued, up from 9,021 in 2010/11
- Held 14 major conferences, 48 seminars and workshops and eight regional workshops with a total of 5,514 people in attendance
- Held our 50th Symposium in March 2012. This flagship event, the Vincents’ 50th Annual Symposium, attracted 694 attendees
- Managed 1,100 inquiries relating to practice management and support issues – an increase of 22 percent on the previous year
- Significantly progressed Project Connect, which will support improved service delivery to our members
- Developed and implemented a new learning and development strategy, which included the launch of a legal support staff offering and a skills accelerator series for early career lawyers
- Offered e-voting for the first time to support the Council election process – this resulted in a 22.2 percent increase in member participation in the election
- Implemented a new finance system on time and under budget to support the 2012 renewal cycle
- Undertook significant advocacy during the year completing 244 submissions – a 21 percent increase on last year. This activity positively contributed to the public debate with 119 mentions of the Society and its submissions in parliamentary records
- Received more than 3,500 requests for trust accounting guidance
- Supported 2,800 ethics inquiries, and saw a 38 percent increase in users to our ethics website
- 2012 online renewals achieved a 99.9 percent take-up rate by members taking advantage of the convenient, easy-to-use process
- Twenty-six practitioners completed specialist accreditation in the areas of family, personal injuries, property and taxation law in 2011. In 2012, we offered accreditation in business, criminal, and immigration law as well as commercial litigation and workplace relations to thirty-three candidates

Gender of solicitors

Snapshot

Female legal practitioners represent 46 percent of the profession in Queensland.
President’s review

2011/12 has been a year that has seen the Society progress some significant strategic initiatives, particularly in relation to policy, and define the future of the organisation in terms of how we can best represent and support our members.

Advocacy in action

Influencing policy is key to what we do – and we do this to ensure laws are fair and workable for members and the community. In 2011/12 we have effectively advocated on many significant issues to address a number of critical social and practice concerns. To do this we rely on the knowledge and calibre of the members of our 27 committees, in addition to the strong skills of our advocacy team.

We led an extensive state election issues campaign which aimed to inspire political parties’ commitment to change on 11 key issues including legal aid funding, improving people’s right to legal representation before the Queensland Civil and Administrative Tribunal and better resourcing for courts and tribunals. This was a first for the Society and it is satisfying to know both major parties heard the voice of the profession.

With the new LNP Government in Queensland, we continue to keep a watch on statements particularly on key issues such as mandatory sentencing, funding for legal assistance programs and directors’ liability.

I thank Paul Lucas, retiring Attorney-General for the professional relationship he maintained with the Society during his time in office, and I welcome our new Attorney-General, Jarrod Bleijie. We look forward to working closely with the offices of the Attorney-General and other relevant ministers and the heads of jurisdictions to ensure our members are informed of statutory and common law changes and court procedural issues.

The business of reform

During the year we continued to represent members in relation to the National Legal Profession Reform to ensure Queensland practitioners are not detrimentally affected by the intended reforms. The Council supports the national reform as important, sensible and well overdue and is committed to working towards achieving harmonisation.

We highlighted our concerns about the draft legislation and have raised these with the Attorney-General for his consideration and worked with our counterparts in both New South Wales and Victoria to seek improvements and modifications for the benefit of the profession.

We also worked closely with our interstate law society colleagues and provided expert assistance to develop the first set of uniform professional conduct rules for solicitors in Australia, the Australian Solicitors’ Conduct Rules (ASCR), which commenced in Queensland on 1 June 2012. These rules, which replace the Legal Profession (Solicitors) Rule 2007, provide a common set of professional obligations and ethical principles. Our Ethics Centre was a primary contributor to their development and this has helped to ensure the new rules are practical, relevant and support our members in the professional practice of law. We are only the second State to implement the ASCR part of our commitment to a nationally consistent regime.

We move into 2012/13 committed to being the trusted adviser to the profession and the community. We will continue to refine and enhance our service to members to ensure quality and timeliness of our advocacy, ethics and practice advice and learning and development.

Substantial change occurred within Council with the Council elections held in late 2011. I would like to thank outgoing Councillors Don Armit, Peter Eardley, Lynette Galvin, Raoul Giudes and Rowena McNally for their extensive contributions to the Society.

I also thank my current fellow Councillors, and particularly Immediate Past President Bruce Doyle, for their efforts and support during the year. I also acknowledge and thank the CEO, management and staff of QLS for their continued commitment to the Society and their hard work on its behalf.

John de Groot
President
CEO’s review

Queensland Law Society achieved $722k in surplus, which can be invested into our services and developing an offer that best meets members’ needs. This was achieved with a modest membership fee increase and minimal changes to event registration fees and managing our costs, key to which was our use of technology rather than traditional paper processes for the Council election and renewals processes.

Queensland Law Society Incorporated, as a group, reported a comprehensive income for the year of $1.6m, comprising $0.7m from the Society and $0.9m from insurance activities (including the Law Claims Levy Fund). The insurance scheme reported a small profit due to reducing premiums and the impact of the falling discount rates. These were again the lowest since the introduction of the Gross Fee Income model in 2007/08, demonstrating the commitment of the scheme to keeping rates as low as possible while maintaining appropriate solvency ratios.

During the year we have been singularly focused on providing quality advice, services and products for members.

Delivering results

We have effectively and comprehensively represented our members with substantial advocacy which importantly proved influential – with 119 mentions of our work in parliamentary debates. We enhanced our learning and development offer in 2011/12, establishing a new strategy that focuses on competency based training, that takes a ‘whole of legal career’ approach.

We undertook a comprehensive product and service review, which considered member research that asked us to ‘do less, better’, and member uptake and value of products and services against the cost to deliver them. The outcomes of this review will be implemented in the year ahead.

Making connections

Elements of Project Connect, which delivers systems and processes that will better equip us to connect with members, were implemented during the year with full delivery early next year (2012/13) when the new membership system and website go live. The project this year provided e-voting capability to support the 2011 Council elections which saw the highest member participation rate for Council elections to date. We successfully implemented a new finance system, on time and under budget. An online renewals campaign was successfully implemented this year with 99.99 percent of members renewing online – a 56 percent increase on last year.

We have also entered into the sphere of social media which, based on the level of member engagement with these channels, has proven successful and valued.

We reached out to key member segments that have unique needs, such as early career lawyers and regional lawyers to ensure we provide appropriate and sufficient information, products and services to our diverse membership. We held our inaugural District Law Association Presidents’ (DLA) workshop to exchange ideas on how the Society could best support regions and to share experiences. Following its success, it will be an annual event. We worked hard to enhance quality member engagement and foster knowledge sharing and collegiality during the year, hosting many successful events with two highlights – holding the milestone 50th Symposium and the inaugural QLS ball, attended by 240 guests.

Building resilience

Acknowledging lawyers’ work in demanding environments dealing with stressful situations, it is crucial that we ensure there are support services to help them maintain good mental health in times of crisis. A major focus of our conferences and regional workshops has been a series of resilience presentations, which include practitioners and counsellors from LawCare. These sessions helped members recognise and manage symptoms of depression.

2011/12 has been a big year, and looking ahead, 2012/13 will see much of the hard work from this year come to fruition. In closing, I thank our members for the support and faith you have in us. I also thank our industrious committees who assist us daily in providing member value. I would also like to thank Immediate Past President Bruce Doyle, current President Dr John de Groot, Council, the management team and importantly our staff for their energy, creativity and dedication.

Noela L’Estrange
Chief Executive Officer
Helping us make the connection...

Queensland Law Society thanks our 10,638 members for their ongoing support. We also thank the many members who volunteer their time to represent the interests of the profession, and those who provide support services to members. The Society acknowledges and thanks our many business partners and sponsors that have provided support during the year.

Our Committees

Comprising members who work with specific areas of law on a daily basis, our Committees achieved many significant successes during the year, with their recommendations and suggestions being adopted by government in a number of important pieces of legislation.

The Committees provide a forum in which members can raise and discuss issues that affect their practice areas. They are also active in contributing to professional development through articles, notices, seminars and conferences. The Society thanks the members of our committees for their valuable contributions to the Society and to the legal profession.

Sadly, Peter Wilson, a long standing member of the Succession Law Committee, and more recently Chair of that Committee, passed away during the year. We take this opportunity to acknowledge the significant contributions he made to the profession.

At 30 June 2012, our committees included:

Access to Justice/Pro Bono Law Committee, chaired by Bruce Doyle, Family Law Doyle Keyworth & Harris

Accident Compensation/Tort Law Committee, chaired by Michael Garbett of Sciacca’s Lawyers

Banking and Finance Law Committee, chaired by Ian Lockhart of Minter Ellison and deputy chaired by Michael Anastas of Corrs Chambers Westgarth

Business Law Committee, chaired by Peter Bolam of Bolam Legal

Children’s Law Committee, chaired by Catherine Moynihan of Legal Aid Queensland

Company Law Committee, chaired by Bruce Cowley of Minter Ellison

Competition and Consumer Law Committee, chaired by David Grace of Cooper Grace Ward

Criminal Law Committee, chaired by Glen Cranny of Gilshenan & Luton Pty Ltd

Early Career Lawyers Committee, chaired by Will Barsby of Shine Lawyers

Elder Law Committee, chaired by Brian Herd of Carne Reidy Herd

EOL Committee, chaired by Amanda Bull of Thynne & Macartney

Family Law Committee, chaired by Alison Ross of HopgoodGanim Lawyers

Franchising Law Committee, chaired by Janice Bywaters of Bywaters Timms

Snapshot

9.5 percent of all the practitioners are sole practitioners, 42.7 percent are employed in a legal firm, and 11.4 percent work in corporate and 6.4 percent are government lawyers.
Government Lawyers Committee, chaired by Robyn Martin of Crown Law from 6 October 2011

Industrial Law Committee, chair was vacant

Insolvency Law Committee, chaired by Richard Cowen of Tucker and Cowen

Intellectual Property and IT Law Committee, chaired by Peter Bolam of Bolam Legal

International Law/Relations Committee, chaired by Teresa Kearney of Teresa Kearney

Litigation Rules Committee, chaired by Justin McDonnell of King & Wood Mallesons

Mining and Resources Committee, chair was vacant

Planning and Environment Law Committee, chaired by Leanne Bowie of Leanne Bowie Lawyers

Practice Development and Management Committee chaired by Raoul Giudes of Giudes & Elliott (until 31 December 2011), chair then vacant

Property and Development Law Committee, chaired by Matthew Raven of Gadens Lawyers – Brisbane

Revenue Law Committee, chaired by Scott Hay-Bartlem of Cooper Grace Ward

Succession Law Committee, chaired by Peter Wilson of MPN Lawyers until 31 October 2011 and by Tim Whitney from McCullough Robertson from 5 March 2012

Geographical location of solicitors practising in Queensland

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Senior Counsellors

The Society’s Senior Counsellors provide confidential advice to members, specifically on professional or ethical problems during the year. Senior Counsellors are an invaluable resource in providing a sounding board for members on employment matters and managing conflicts. We would like to thank all Senior Counsellors for their ongoing support of the profession.

Senior Counsellors and their locations for 2011/12 as at 30 June 2012:

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<thead>
<tr>
<th>Brisbane</th>
<th>Sunshine Coast</th>
<th>Atherton</th>
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<td>G W Ferguson</td>
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<td>P D Carne</td>
<td>Public Trust Office</td>
<td>Bradley &amp; Bray</td>
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<td>P L Cooper</td>
<td>Cooper Grace Ward</td>
<td>Lilley Grose &amp; Long</td>
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<td>G M Cranny</td>
<td>Gilshenan &amp; Luton Legal Practice</td>
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<td>J P Kelly</td>
<td>Corrs Chambers</td>
<td>B J Baxter</td>
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<td>M O Klug</td>
<td>Clayton Utz</td>
<td>Ruddy Tomlins &amp; Baxter</td>
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<tr>
<td>J G Mann AM</td>
<td>McCullough Robertson</td>
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<tr>
<td>G A Murphy AM</td>
<td>Murphy Schmidt</td>
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<tr>
<td>T A Nulty</td>
<td>DLA Piper Australia</td>
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<tr>
<td>T P O’Gorman AM</td>
<td>Robertson O’Gorman</td>
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<tr>
<td>R G Perrett</td>
<td>Clayton Utz</td>
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<td>W T Purcell</td>
<td>Purcell Chadwick &amp; Skelly</td>
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<td>G J Vickery AM</td>
<td>Norton Rose Australia</td>
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<tr>
<td>G J Hutchinson</td>
<td>Cooke &amp; Hutchinson</td>
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<tr>
<td>M B Conroy</td>
<td>Conroy &amp; Associates</td>
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<td>G C Fox</td>
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<tr>
<td>A MacGillivray AM</td>
<td>OPILCH</td>
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<td>R V Forgione</td>
<td>Forgione Lawyers</td>
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<td>J A Nagel</td>
<td>John Nagel &amp; Co</td>
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<tr>
<td>R B Atwood</td>
<td>Richard Atwood</td>
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<tr>
<td>P M Fallu</td>
<td>Dales &amp; Fallu</td>
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<td>J S Rees</td>
<td>ReesLaw</td>
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<td>T M Sullivan</td>
<td>Davidson &amp; Sullivan</td>
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<td>K M Walker</td>
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<td>N D Maxwell</td>
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<td>G R Neilson</td>
<td>Neilson Stanton &amp; Parkinson</td>
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<td>A M Trevor</td>
<td>C A Trevor</td>
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<td>V J Vandeleur</td>
<td>Innisfail</td>
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<td>M G Paterson</td>
<td>Mackay</td>
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<td>J C Taylor</td>
<td>Rockhampton</td>
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<tr>
<td>G R Batts</td>
<td>Connolly Schirmer &amp; Batts</td>
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<tr>
<td>V N Jackson</td>
<td>South &amp; Geldard</td>
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<tr>
<td>J C Shaw</td>
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<td>P R H Elliott</td>
<td>Toowoomba</td>
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Our Business Supporters

Throughout the year, Queensland Law Society continued our Business Supporters Scheme that links members with quality products and services from select companies and organisations. We thank all our Business Supporters for this year.

At 30 June 2012 these were:

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<td>Vincents</td>
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<td>Broadcast hire</td>
<td>Pro-Cam</td>
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<td>Archive and document management</td>
<td>Total Records Management</td>
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<td>Financial institution</td>
<td>Ask Funding</td>
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<td>Information services</td>
<td>CITEC Confirm</td>
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<td>Investigation/risk management</td>
<td>Phoenix Global</td>
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<td>Investigators/process serving</td>
<td>IDS Group</td>
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<td>Legal publishing</td>
<td>Smokeball</td>
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<td>Legal software</td>
<td>LEAP Legal Software</td>
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<td></td>
<td>Law Support</td>
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<tr>
<td>Printing services</td>
<td>LAW IN ORDER</td>
</tr>
<tr>
<td>Property advisers</td>
<td>Herron Todd White</td>
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</table>
Delivering on our commitments –
our performance in 2011/12

Our plan for 2011/12

The Society’s solutions-focused approach means we actively review our services and member benefits to ensure our offerings remain relevant and suit members’ professional and lifestyle requirements. We heard from members through extensive market research in 2010/11 that members wanted more refined offers and we have used that information to develop our response, which is outlined in our Strategic Plan 2011/12 and beyond.

The plan was our blueprint on how we intended to deliver greater value and service for members. This included our plans to improve our web offering, initiate social media channels and provide skills-based learning and development opportunities to support members’ practice of law, all of which have been significantly progressed during the year. Two key projects were undertaken, both of which required substantial internal resources and will bring positive benefits for members into 2012/13 – Project Connect and our product and services review.

During the year, activities were carefully planned to ensure intelligent use of resources that resulted in cost effective, practical services that meet members’ needs and advance the interests of the profession.

Our key initiatives and activities supported:
- the evolution of member services
- provision of superior, service-oriented value
- enhancement of service delivery efficiencies
- a member-focused, high performance internal culture.

This report documents our achievements during the year.

Our plans for the future

Beyond 2011/12, our focus is to effectively position the Society within the profession as the ‘first port of call’ for our members while also clearly defining our core offerings and capabilities. This will form the basis of the 2012/13 and 2012/16 strategic plans.

In working towards our vision of being the leading legal professional membership association in Australia, in 2012/13 our value proposition is to be the profession’s trusted advisor through providing quality advice, advocacy and education for our members.

Our strategic objective for 2012/13 is to create and capture value for the profession by:
- Advancing member interests through advocacy, ethics, the learning and development framework and quality member services
- being ‘business fit’ in all our operations and structuring the organisation in the way that best delivers services for our members and the profession as a whole
- strengthening organisational capability through fostering a collaborative culture committed to quality and performance.

In the year ahead we will leverage key learnings from our product and services review to deliver higher quality services and products to members that are integral to their practice of law and deliver value. We will also ensure the efficiencies and enhanced tailored and relevant information delivered by Project Connect are realised by members during the year.
Project Connect

During 2011/12 the Society has significantly progressed Project Connect which is central to our plan to become business fit. It will help transform our business processes and practices for improved efficiencies and exceptional service delivery to our members. The project will provide an improved ability to resolve member and stakeholder inquiries as information is more readily accessible, consistent and reliable. There will also be better system functionality and online experience for members. This will result in automatic population of information in members' and stakeholders' records and enable members to service more of their needs online.

The project includes three components:

- Integrated Management Information System (iMIS): the core component of the member relationship management (MRM) system that will upgrade systems we use to service our members (such as AS400 and EventsPro)
- A new web offering including an updated website, new Content Management System (CMS) – key to upgrading our website and improving internet-based services for our members – and better search functions
- Finance system: key to modernising our processes for external transactions and internal business management so they are quicker and easier to perform.

During the year a project team, supported by the business, undertook four of the five key phases of project delivery for the new member relationship management system. These were: business process review, system design and set up, key process development, and end user testing. As part of this phased implementation, members saw incremental enhancements to our service provision including the ability to vote online in the 2011 Council elections and also the new-look weekly QLS Update. It is anticipated the final phase of data conversion and go live will occur in July 2012.

The new finance system was procured, built, tested and deployed for use in December 2011, pleasingly on time and under budget. It was used to support the 2012 renewal cycle.

Preparations for the new QLS website included procurement, build, testing and training for the new content management system and new information architecture, new wireframes, look and feel, a full content review, and development of website taxonomy for the website interface. Website users will enjoy the enhanced online experience from July 2012.
In 2010/11, we undertook a significant market research project to help us understand, meet and exceed member expectations and ensure QLS is providing quality products and services. To meet the value and relevance challenge members presented through this research, we committed to undertaking a comprehensive review of all products and services in 2011/12.

The review considered historic costs and revenues in relation to current offerings, member uptake, and determination of how future product and service decisions can be made to maximise membership value.

It was completed in the last quarter of the year and the full results will be implemented in 2012/13.

Implementation will include a focus on ‘core’ offerings, redeveloping the structure and delivery of other offerings and discontinuing some products and services with low uptake.

We have identified the following offerings as ‘core’:

- Ethics
- Advocacy
- Learning and development
- Practice support
- Keeping the profession up to date (member publications/library services)
- Community of practice (professional collegiality/networking) and Professional Standards.

Restructure

The results of the product and services review were also the foundation for a business structure review, which was implemented in 2012. Our new structure more closely aligns functions with our business strategy focus.
Providing valued services and products to members

Advocacy

This year Queensland Law Society undertook extensive advocacy activities on behalf of our members, the wider legal profession and the general community, while also seeking to improve and enhance our advocacy service for members.

During the year our advocacy team, supported by our 27 committees comprising specialist and experienced practitioners who focus on specific areas of law or industry segments, took forward a wide variety of issues including:

- personal property securities reform
- 17 year olds in the adult criminal justice system
- the Criminal Organisation Amendment Bill 2011
- greentape reduction.

(Please refer to the Representing member interests section on page 16 for a snapshot of how we worked to address some of these issues).

Our advocacy services are among the most important and highly valued work that QLS offers to the legal profession and general community. We continue to set high performance benchmarks. 2011/12 was another busy year for advocacy, with 244 submissions completed during the year, a 21 percent increase from last year. Pleasingly, much of the Society’s advocacy was influential to the debate, positively influencing outcomes as recognised by 119 quotes in Queensland Parliamentary debates.

We undertook to involve and inform members and the wider community of our significant and important advocacy work, ensuring information was provided across all our digital and print publications with almost 340 articles and notices – a 24 percent increase on the previous year. The Society ran extensive media and education campaigns supporting our advocacy work and informing members and the wider community on more than 20 issues including cancellation of the transfer duty concession, increases in court filing fees, the abolition of the Sentencing Advisory Council, and anti-association laws.

We published our second Advocacy Annual, which provides a synopsis of the most important advocacy issues undertaken by the Society from May 2011 to April 2012. It highlights our achievements and shows the way forward for ongoing issues.

In addition, we actively encouraged increased member involvement in identified committees through an expression of interest process, and established a new Mining and Resources Committee. The Society also began the process of establishing a Not for Profit Committee mindful that 2012/13 will see significant impact for this sector which is likely to be subject to new regulation.

<table>
<thead>
<tr>
<th>Advocacy activity</th>
<th>2011/12</th>
<th>2010/11</th>
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<tbody>
<tr>
<td>Submissions dispatched</td>
<td>244</td>
<td>193</td>
</tr>
<tr>
<td>Quotes in Queensland Parliamentary debates</td>
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<tr>
<td>Committee meetings held</td>
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<tr>
<td>Consultative events attended</td>
<td>112</td>
<td>116</td>
</tr>
<tr>
<td>Articles, notices and contributions to publications</td>
<td>338</td>
<td>256</td>
</tr>
</tbody>
</table>
Representing member interests

National Legal Profession Reform

Following the completion of the consultation period of National Legal Profession Reform in 2010, we saw decisions made in 2011/12 at the federal level on a couple of building blocks for implementation.

Victoria was nominated as the first state to pass the national legislation, while New South Wales will host the National Legal Services Board and Commissioner. The purpose of the commissioner is to manage the national relationships with legal service commissioners as they continue to provide the process for managing complaints against legal practitioners.

Oversight of the process rests with the federal Standing Committee of Law and Justice Ministers.

Our last active involvement in the reform was reviewing the legislation released in September 2011 and we noted further detail was required to make the national law workable.

We will seek to continue our role in administering of the Legal Practitioners’ Fidelity Guarantee Fund and the issuing of practising certificates. We are committed to retaining the regulatory responsibilities currently held – to both ensure we can support our members when required and also speak out against bad conduct. We have ensured during the year we have both listened to our members on the issue of national reform and also communicated openly across all communication channels available to the Society.

We await the final form of the legislation which would apply in Queensland and appointment of the national legal services board. In the meantime, we will work to ensure:

• any change towards a national system does not seriously disadvantage our members and that there is a smooth transition with minimal administrative and financial impacts to practitioners
• that the profession is fully aware of what the change means when we become aware of further detail.

Implementation is expected to start in FY 2012/13.

State Government election 2012

The 2012 Queensland State election was anticipated to be a watershed event which would significantly set the political tone in this State for some time.

We were committed to ensuring there was consideration of issues affecting the law and recognition of the many areas where there was need for reform.

Our policy committees developed a consultation paper covering 11 key issues across the spectrum of legal practice. This was put to members for comment. Incorporating member feedback, the QLS Council endorsed a list of 11 top issues crucial to the profession and community which was provided to all the major political parties. We communicated with the parties on these issues and published in full the written responses received from the Labor and Liberal National parties in the March 2012 edition of Proctor. This process provided members with an opportunity to contribute to the policy formation of the major political parties in the lead-up to the election and also assess the responses of the two major parties to the profession’s issues. QLS advocacy on the profession’s issues played an important part in announcements on the reform of residential conveyancing, criminal justice policy and access to justice initiatives.
17 year olds in the adult criminal justice system

Queensland is the only state or territory in Australia where 17 year olds are treated as adults, not children, in the criminal justice system and are incarcerated in adult correctional facilities. This is contrary to Australia’s international treaty obligations and QLS has strongly advocated for reform in this area.

During 2011/12 we:

- submitted our concerns to the then Minister for Community Services and Housing and the Attorney-General
- requested our inclusion in the Senior Officers Group, tasked with providing advice to government on this issue
- wrote to the Law Council of Australia requesting the inclusion of the 17 year old issue in the submission for the national Draft Baseline Study for a National Human Rights Action Plan
- raised it as a priority legal profession concern in our State election issues paper presented to political parties prior to the Queensland election.

In 2012/13 we will continue to seek reform on this issue.

Criminal Organisation Amendment Bill 2011

The then Attorney-General introduced the Criminal Organisation Amendment Bill 2011 in October 2011, citing this as priority legislation for the government. The Parliamentary Crime and Misconduct Committee held an inquiry into the Bill. Despite an extremely short timeframe, QLS and the Bar Association of Queensland issued a joint submission raising our concerns on various aspects of the Bill, including the inconsistency with fundamental legislative principles, the definition of ‘criminal intelligence’ and the truncation of the requirement to provide full criminal histories of informants. Unfortunately, no public hearing was convened on this Bill.

The Bill was passed about a month after it was introduced.

Greentape reduction

The Queensland Government formed a greentape reduction project to better streamline the handling of resources and environmental approvals and other matters. The Society was a significant contributor to this policy initiative and provided submissions at an early stage of policy development, attended meetings and finally submitted on the Bill tabled in Parliament when it came before a Parliamentary portfolio committee.

In numerous submissions we generally supported greentape reduction and streamlining but could not support any measures which reduced transparency, accountability or access to justice. In particular we did not support any reduction in the jurisdiction of the Planning and Environment Court. We offered a number of practical solutions to reduce greentape, through better training of government officers on the sound drafting of conditions, improving existing forms and providing better access to information through websites. We also proposed that regulation changes to requirements such as evidencing State resource entitlements could be of significant benefit.

We are broadly supportive of the Greentape Reduction Bill but noted that there were many drafting errors and unintended consequences which arose from the draft. Ultimately, the Bill was not progressed by the government prior to the State election and it lapsed.
Development of electronic conveyancing

An electronic national system for effecting a property settlement has been in the pipeline for some time and the Society has been actively involved in this issue since 2005. In 2010, National Electronic Conveyancing Development Limited (NECDL) was formed to build the new national system and the Australian Registrar’s National Electronic Conveyancing Council (ARNECC) was established to be the regulator of the new industry.

This year we continued to be an active and important stakeholder for the development of an electronic settlement system and welcomed the announcement of the name of the new system, PEXA (Property Exchange Australia). At a policy level we were involved in the development of requirements for client identification and decisions regarding who should have access and rights to electronically sign documents in the new system.

We provided submissions to NECDL on consultation issues which were welcomed, and worked on a client identification standard for users of the new system.

On the recommendation of QLS, proposed requirements for the cross-checking of Australian Government identity documents with government databases were not progressed as this would have placed too great an impost on the resources of legal practices for very little fraud reduction outcome. We successfully settled a position for the legal profession, which was adopted by the Queensland Titles Registry, that only solicitors should be empowered to electronically sign documents in the new system.

Directors’ liability

To support the introduction of national vehicle regulation and enhance national consistency across the transport industry, the Standing Committee on Infrastructure and Transport consulted on the introduction of the Heavy Vehicle National Law.

QLS provided a submission to the then Queensland Minister for Transport outlining our concerns with the new law and its proposed provisions which reverse the onus of proof for company directors and officers of trucking companies when the company commits an offence.

Our concern was that the provision runs completely counter to the well-established principle of criminal law that a person remains innocent until proven guilty. We maintained that the reversal of the onus of the proof in the Heavy Vehicles National Law was inappropriate, contrary to fundamental tenets of our legal system and unfairly discriminated against corporate officers. We were advised by the Queensland Minister for Transport that, following consideration of legal advice, the National Transport Commission has proposed that the reverse onus of proof for directors, liability will be amended in the national law by a subsequent Bill and the original provision will not commence.

Mandatory sentencing

Throughout the year the former government worked towards introducing standard non-parole periods in Queensland. The Sentencing Advisory Council was given a referral on what model of standard non-parole periods should be introduced.

QLS has long opposed any form of mandatory sentencing and advocated against standard non-parole periods.

During the year we were active in presenting this view. We wrote to:

• Sentencing Advisory Council on their consultation paper on standard non-parole periods in July 2011
• Attorney-General on the community consultation on standard non-parole periods
• Queensland Parliamentary Committee on the Law Reform Amendment Bill 2011 which contained the standard non-parole period scheme
• Department of Justice and Attorney-General and Sentencing Advisory Council in February 2011
• the then Queensland Opposition leader on mandatory sentencing
• New South Wales Minister for Police and Emergency Services expressing objection to the proposed mandatory life sentence scheme for people who are convicted of murdering police officers
• President of the New South Wales Law Society on the New South Wales’ mandatory sentencing scheme.
The Law Reform Amendment Bill 2011 was not passed due to Parliament being prorogued. The New South Wales mandatory life sentence scheme was passed in June 2011.

We will continue to oppose any scheme that proposes mandatory sentencing as unjust and unworkable.

**Disability care and support**

The Australian Government asked the Productivity Commission to undertake a public inquiry into a long-term disability care and support scheme. This included considering:

- how a scheme should be designed and funded to better meet the long-term needs of people with a disability, their families and carers
- how to determine the people most in need of support, the services that should be available to them, and service delivery arrangements
- the costs, benefits, feasibility and funding options of alternative schemes
- how the scheme will interact with the health, aged care, informal care, income support and injury insurance systems
- its impacts on the workforce
- how any scheme should be introduced and governed
- what protections and safeguards should be part of the scheme.

The commission proposed a two entity model:

- a National Disability Insurance Scheme (NDIS) to deal with the care and support of individuals with significantly reduced functioning in self-care, communication, mobility or self-management and requiring significant ongoing support
- a National Injury Insurance Scheme (NIIS) which was a collection of state-based insurance schemes that would provide fully-funded care and support for all catastrophic injuries on a no-fault basis.

As a strong supporter of better care and support for individuals with a disability, we provided written submissions to the Productivity Commission Inquiry and appeared before a public hearing. We welcomed discussion of a NIIS and NDIS provided that these schemes were affordable and sustainable, offered quality care to all disabled persons, and did not diminish existing rights.

In our response to the Commission’s draft report we raised a number of concerns. These included:

- that the schemes will prove to be significantly more costly than is presently anticipated. Any small initial errors in cost estimation may place ongoing burden on the schemes which would threaten their sustainability to the detriment of those needing support
- that the proposed schemes should not unduly interfere with the Queensland workers’ compensation and motor vehicle accidents schemes which are based primarily on common law and are fully funded, well-run, have nationally low levels of disputation and reach speedy and early resolution of claims
- that the New Zealand Accident Compensation Corporation is not an appropriate, viable or sustainable model on which to base an Australian disability support scheme and that any such Australian scheme should follow an insurance model and be fully funded or follow a social welfare model and be supported directly by the consolidated revenue
- that disabilities suffered by overseas visitors should be appropriately addressed in any scheme
- that all existing common law rights for fault-based claims should be retained and disabled persons be given choice about which scheme to access.

We consider that the right to access common law is an important and fundamental issue. Despite open hostility to common law claims for injury from the Productivity Commission, the Society stated it is imperative Queensland has open access to successful, fully funded, well-run and accessible common law compensation schemes.

The government has considered our view that disability support and care schemes need to be equitable, affordable and sustainable to be of true benefit to the community. We will continue to advocate for the retention of common law rights.

Implementation is expected to start in FY 2012/13.
Ethics

Our Ethics Centre refocused its guiding vision during the year and committed to being the first port of call for ethical queries for the profession, providing on-going leadership and guidance to members in a critical area for legal practitioners. Member support included ensuring Queensland played a leading role in development of the new Australian Solicitors Conduct Rules, creating online resources and supporting a number of ethics and professional development events.

This included hosting the Joint Law Societies Ethics Forum in November 2011, one of the largest forums held, with attendees from the law societies of New South Wales, Victoria, South Australia and the ACT and members in private practice. Rather than a speaker-led session, the interactive forum allowed participants to provide their perspectives on various case studies. This was the first forum to hold a panel discussion by members of the judiciary who spoke on lawyers’ conduct and ethical concerns.

The Centre continued to provide extensive and valuable support to the legal profession in 2011/12, responding to more than 2,800 calls during the year. We also ensured ethics was included in our new competency-based learning and development framework with ethics modules included in key events across Queensland. A full one day workshop for younger practitioners, ‘Ethics on the edge’, was developed with close to 70 delegates attending. We increased our engagement with practical legal training providers and universities providing lectures. We are working with the universities to develop a plan to ensure ethics is part of the way substantive legal courses are taught, rather than merely a requirement for entry into the profession.

We developed and published a number of practical tools during the year. Our Ethics Centre website was reviewed and refreshed and saw 29,993 unique visits – an increase of 38 percent on the previous year. An ethics DVD, ‘Ethical Decision making – a legal practitioners guide’, was launched in November 2011 to provide members with practical tools to guide ethical conduct. More than 70 members purchased this resource prior to it being superseded with the introduction of the new Conduct Rules.

The Society dedicated significant effort to working with the other constituent bodies of the Law Council of Australia, and was actively involved in developing the new Australian Solicitors Conduct Rules 2012, implemented in Queensland in June 2012. The Rules provide the ethical standards for the conduct of all legal professionals and replace the Solicitors Rule 2007. They apply to solicitors and Australian registered foreign lawyers acting in the manner of a solicitor, and embody key ethical principles for delivery of legal services to clients. Extensive communication on the Rules has been undertaken by the Society – together with providing tools to help members understand how they work with common law and affect members’ practice of law.
Practice Support

This year we focused on refining and enhancing our practice support offer. We upgraded our dedicated communication campaigns to members on the extensive practice support QLS provides and added some valuable new services and resources.

We managed 1,100 inquiries relating to practice management and support issues – up 22 percent on the previous year. To assist members with practice support and advice, we provided regular communication to members on key issues and queries during the year. This included regular ‘practice support tips’ in QLS Update and numerous practice management or business skills articles in Proctor. The practice support ‘home page’ on the QLS website was visited regularly with 14,626 unique visitors.

To ensure members were aware of the breadth and depth of QLS practice support services for individuals and firms, we improved our information and education campaigns which resulted in almost a 20 percent increase in practice support enquiries during the second half of the year.

During 2011/12 the Practice Health Check was piloted across 63 practices. Members were enthusiastic in their take up and many gave complimentary feedback on its value to their practices. Nearly 30 percent of practices introduced to the health check concept requested resources or one-on-one consultations. As a result, we are looking to refine the program next financial year.

In addition, 25 practices chose to have an in-person consultation to discuss their business needs and available QLS support.

We are investigating expanding this program in 2012/13.

A new Practice Succession Guide was developed for members and was launched in April 2012. This guide was particularly targeted at small firms and sole practitioners looking to build their firms in a way that facilitates their own eventual but planned exit. It included guidance on how to measure and factor in the value of the firm, and initiating and managing the succession process.

Many established practice support products and services built on the success of the previous year with a gradual uptake of QLS’ industrial relations and human resources advice service, IR Assist, seeing a 10 percent increase in enquiries. Participation in the Limitation of Liability Scheme (which caps the amount of damages that can be awarded against a practice in court) saw a small decrease of three percent. Legal Business Monitor, which helps firms benchmark and assess their performance, also reduced from 38 practices using the tool to 18 practices in 2011/12. The Society will review this offering during 2012/13.

A total of 296 clients accessed Law Care during the year, which is 22 percent fewer than the previous year. Consistent with last year’s figures, 70 percent of the issues raised related to personal matters compared with 30 percent work-related matters.

We continued our involvement with the Law Council of Australia’s rural, regional and remote (RRR) law initiative which highlights the benefits of practising law in RRR areas of Australia and offers current and future lawyers an alternative option to practising in Australia’s major cities. The project has moved into its second phase and aims to engage legal industry job creators, increase awareness among the legal profession, and build strategic relationships with a long-term view to helping ease the recruitment and retention issues in RRR Australia.

A participant of the health check consultation said:

“As a sole practitioner it was terrific to be able to discuss industry standards and the context of our individual practice within those statistics and to receive the benefit of advice from someone who has seen and heard first-hand how others are managing the same issues, better and/ or differently.”

On the health check initiative: “It’s a tremendous initiative and moves the support from the theoretical to the practical and in my view therein lies the intrinsic value of the programme.”
Learning and development

This year the Society adopted a Learning and Development Strategy that positions us to provide competency-based offerings relevant to legal professionals. This builds on our unique role as a proven provider of quality professional development and was a first among Australian law societies.

The Strategy identifies and addresses the competency needs of various roles within the legal profession, including solicitors at various stages of their careers and legal support staff. It matches specific offerings to members’ experience and competencies, with a special focus on what the person within a role is expected to be able to do in the workplace as opposed to theoretical knowledge.

Our aim in adopting this Strategy is to:

- continue to build our reputation as a trusted provider of cost-effective, flexible learning and development solutions for members to help achieve their business and career objectives
- source and deliver high quality, reliable learning and development solutions and services to our members
- change operating procedures and delivery models to improve accessibility and meet member needs and expectations in relation to adult learning principles
- operate as a world class learning organisation.

The Strategy seeks to align, build and expand on our offerings. It reflects a shift from participating in learning events for the sole purpose of updating technical legal skills towards providing a suite of development opportunities that promote a broader set of role-specific capabilities.

Whilst developing the Strategy, we continued to deliver a comprehensive conference and seminar calendar of events across Queensland, and refined and enhanced our practice management course and specialist accreditation programs.

To do this we worked collaboratively with our Member and Policy Committees, the Specialist Accreditation Committee, District Law Associations, and liaised with groups including Learning and Development and Human Resource representatives from a range of firms. We continued to partner with associations such as The Australian Insurance Lawyers Association and the Family Law Practitioner Association of Queensland and other stakeholders including the judiciary, Lexon Insurance, Work Cover, and the Office of State Revenue.

Competency-based training – legal support staff and early careers lawyers

The Learning and Development Strategy was submitted and approved by Council in February 2012. Our first step was to launch an offering for legal support staff. QLS entered into a strategic partnership with a Registered Training Organisation, to provide two nationally accredited qualifications for legal support staff: Certificate IV in Legal Services (BSB40110), and Diploma of Legal Services (BSB50110). Both of these qualifications are accredited under the Australian Quality Training Framework.

In 2011/12 we had 56 students enrolled in these courses – 11 in the Certificate IV course and 45 in the Diploma course.

In March 2012, we introduced the Skills Accelerator series for early career lawyers. This series was developed from practitioner feedback and consultation, to provide identified practical key competencies essential for early career lawyers.

The Skills Accelerator series consists of highly interactive, full-day, competency-based training modules, delivered in workshop mode and designed to assist young lawyers in honing their practical skills to better handle the realities of legal practice. Topics covered include: practical legal ethics, commercial contribution, client interviewing, personal communication skills, effective legal writing skills, legal research skills, file management, time management, negotiation skills, mediation skills, advocacy, and resilience and wellbeing. We conducted four workshops in the series during the year, with 64 participants. Feedback has been very positive with most delegates impressed by the level of interactivity and the practical nature of the series together with its specific tailoring for the early career lawyer.
Specialist accreditation

In 2011, 26 practitioners were awarded accreditation across family, personal injuries, property, succession and taxation law – a three percent increase since these areas were last offered in 2009. Of the 88 candidates who sat the accreditation program, most found it to be a valuable experience. Many said, regardless of their success, they expanded their knowledge and enhanced their skills in their chosen area of accreditation.

Graduates attended the annual Specialist Accreditation Christmas Breakfast with the Chief Justice at the Sofitel with 222 attendees.

Interest in the specialist accreditation program continues to grow, due to growing member recognition of the many benefits of the program and the community of the value of seeking advice from an accredited specialist. We now have 423 practitioners in Queensland who hold accreditation with the Queensland Law Society, eight of which hold accreditation in more than one area.

In 2012, we offered accreditation in business, criminal, and immigration law as well as commercial litigation and workplace relations.

In November 2011, we held an initial networking evening for practitioners interested in these programs, providing an opportunity to discuss the program with committee members and newly accredited specialists. Another information evening was held in March 2012, with a 132 percent increase in expressions of interest from when these programs were offered in 2010. Thirty-five practitioners applied for the 2012 programs, a 40 percent increase in applications from the previous time these programs were offered. Thirty-three practitioners were formally accepted.

A number of improvements were made to the operational components of the program including increased collaboration with specialist accreditation teams at the Law Institute of Victoria and the Law Society of New South Wales. Accreditation in family law ran as a true national program in 2011 as did accreditation in immigration law in 2012 with the establishment of an inaugural Queensland committee for the immigration specialist accreditation program. Taxation (2011) and workplace relations (2012) continue to be run in collaboration with the Law Institute of Victoria.

A detailed internal review of the Society’s specialist accreditation program was conducted in the first half of 2012 with recommendations to be implemented in 2013.

We thank the members who serve on the Specialist Accreditation Board or on one of the 10 Advisory Committees for their valuable contributions. The program would not be possible without their voluntary contribution of time and expertise and their dedication to the professional development of Queensland practitioners.

Graduates from the 2011 Specialist Accreditation program:

“Achieving specialist accreditation has been extremely rewarding personally and professionally. I gained a much deeper understanding of my field by undertaking the course which has led to a higher level of work, recognition amongst my peers and an increase in referral work.”

“I am already reaping the benefits in my practice. I feel more confident and knowledgeable.”
26th Annual Calabro SV Consulting Family Law Residential

1. Tracey McClelland, Ann Frizelle, Jacinta Norris, Claire Braithwaite
2. Debra Effeney, Kara Cook, Jennifer Rice, Caitlin Chemeris, Nicole Berg
3. Boyd Nelson, Jan Nelson, Glenys Goodingham, Brent Goodingham
4. Sonya Black, Wayne McGill, Sarah Cleeland
5. Cheryl Bentley, Adele Bentham
6. Emma Turner, Catherine Carew, Federal Magistrate Margie Cassidy
7. Mike Anderson, Lindsay Miles, William Schoenmaker
Conferences and seminars

In 2011/12 we continued to provide members with extensive high quality learning and development opportunities through our conference and seminar program delivered across Queensland.

During the year we saw 5,514 attendees and speakers at our various seminars and conferences, comprising 14 major conferences, delivered in various locations, and 48 seminars delivered at Law Society House. We focused on delivering a higher quality program and reduced the number of seminars.

Fewer delegates were recorded as attending QLS conferences and seminars during the year, which we believe can be attributed to an increasingly competitive market operating within a contracted economy, and our decision to reduce the number of events offered. We did note the drop in attendance numbers was most significant in the regions where there was a decrease of 27 percent. We sought feedback from regional members and the primary reasons for not attending were given as financial pressures or not being able to leave their office unattended. The Society is undertaking a comprehensive review of all conference and seminar offerings in early 2012/13 to ensure we deliver a quality and highly valued offering which meets member’s needs.

Our regional program included workshops at the Sunshine Coast, Bundaberg, Mackay, Townsville, Toowoomba, Gladstone, Kingaroy and Redcliffe. All our Brisbane based seminars were made available across the state via the extensive videoconference network that is supported by the Queensland Law Foundation.

We worked collaboratively with District Law Associations to support the 4th Annual North Queensland Symposium in Cairns and the 5th Annual Legalsuper Gold Coast Symposium. Positive feedback citing appreciation for regional events was received from these events.

Our 14 major conferences included annual conferences on specialist areas of property, criminal, succession, employment, personal injuries and elder law, together with the Government Lawyers Conference, the 26th Annual Calabro SV Consulting Family Law Residential, the Insurance Intensive and the 5th Annual Support Staff Conference. More than 2,500 delegates and speakers participated in these conferences, and almost 3,000 participated in our short courses and seminars.

Insurance Intensive 2012
Playing the hand you are dealt

1. Rebecca McMahon, Danielle Davison, Emma Cameron
2. Brent and Wendy Hedges
3. Fiona Meara, Lysa Jamieson
4. John Moore, Michael Fisher, Ian Hanger QC
5. Drew Castley, Rowan Jackson
6. Peter and Leah Vida
Symposium celebrated its 50th anniversary in 2012. The program featured high calibre presenters and a comprehensive professional development program featuring more than 150 presenters and session chairs. It included 10 streams with new targeted streams on coal seam gas and a two day program for early career lawyers.

Over the past year, we have successfully partnered with LEADR to present Advocacy and ethics in mediation; with the Australian Government Solicitor and Crown Law to present ‘What’s in the clouds?’, a seminar which examined the impacts of cloud computing; and with the Law Council of Australia for a seminar considering the Latest Developments in e-Commerce.

We also partnered with the Institute of Chartered Accountants Association to present the Annual Audit of Solicitors’ Trust Accounts Seminar; with Legal Aid Queensland and ATSILS to present a free member workshop on Cultural Considerations for Indigenous Clients; with Australian Insurance Lawyers Association to present the Annual Insurance Intensive; with the Australian Corporate Lawyers Association to present a seminar on Tough Calls: Scenarios you might face under the new Australian Solicitors’ Conduct Rules 2012; and finally with Bond University to present a seminar on Youth Justice Conferences versus Children’s Court: A comparison of re-offending in New South Wales.

Post event surveys of all of our conferences and seminars were overwhelmingly positive – more than 70 percent of respondents said they would recommend the event to a colleague. Constructive feedback on program improvements was also provided which we will incorporate into future planning.

The seven free member seminars were well attended. These included seminars on human trafficking in Australia, cultural considerations for indigenous client, building a tool kit for working with children and young people, and e-conveyancing consultation with the Titles Office.

Among these, the ‘Criminal Law – Moynihan 9 months on’ proved popular. It was geared to assist practitioners feeling their way around the new parameters for cross-examination and experiencing the approaches being taken by Magistrates post-Moynihan. This interactive forum was attended by 139 members to discuss the outcomes and set out the challenges for criminal law practitioners across the State. We also held a ‘Practical tips for lawyers advocating in family group meetings’ seminar which was presented in collaboration with Legal Aid Queensland and was attended by more than 80 members.

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**Practice management courses**

Interest in our practice management course continued to remain strong with practitioners enhancing their business practice management skills before obtaining their principal practicing certificate. This year 196 practitioners undertook the Practice Management Course, an 11 percent increase on 2010/2011.

We introduced a new offering in practice management during 2011/12 – a practice management course geared for non-practitioners. The first course was attended by 32 delegates and we intend to continue to offer it into 2012/13.
A record-breaking QLS Vincents’ 50th Anniversary Symposium drew a bumper 694 delegates (including 23 exhibitors and 163 presenters) to the Brisbane Convention & Exhibition Centre on 30-31 March 2012.

The presenters, including Geoffrey Robertson QC, Erin Brockovich and demographic commentator Bernard Salt, were all a hit with delegates, who singled out the “amazing” quality of the speakers in their post-event comments.

Bernard Salt’s Friday keynote presentation examined the emerging demographic, social and economic shifts over the coming years and how these will shape forces for demand and supply of the legal profession in Queensland, including the rise of fly-in/fly out workforces in emerging regional and rural mining locations.

Other highlights included the opening address by Chief Justice Paul de Jersey AC, new streams dedicated to coal seam gas and early career lawyers and the battle for the Chief Justice’s Cup between barrister and solicitor cricket teams on Sunday 1 April – a competition in which the solicitors’ team, led by Scott Sharry, produced a stunning victory. The 40-over match saw the solicitors score 224 runs for five wickets. The barristers, led by Bar Association of Queensland president Roger Traves SC, produced a respectable 162 for seven wickets.

Sample of delegate feedback:

“… my staff and I were able to attend various streams throughout the two days to take advantage of the wealth of information available to benefit our small firm.”

“It was all very professional and each year gets better.”

1. Geoffrey Robertson QC
2. Chief Justice Paul de Jersey AC
3. Bernard Salt
4. Erin Brockovich
Maintaining the professions’ standards

Trust account guidance is a valued service we provide to law practices and external examiners. During the year we received 3,529 requests for trust accounting guidance.

We introduced trust account compliance reviews to support our comprehensive trust account investigations. These half day reviews aim to assist law practices comply with the legislative record keeping requirements and good trust account management practices. 407 of these reviews were completed in 2012. 113 trust account investigations were also completed.

In 2011/12 we surveyed law practices that were the subject of trust account investigations and trust account compliance reviews. From member market research we knew that members value the support we provide in terms of trust accounting guidance. Our surveys highlighted that the profession also had a very high regard for the way and manner in which our investigations and reviews were undertaken by our trust account investigators.

We investigated 362 complaints about practitioners from the Legal Services Commissioner (LSC) – down from 399 last year. Of these, 222 were finalised. The LSC made decisions on 205 complaints we investigated and on all but 12 occasions (less than 6%), the Commissioner agreed with our recommendation as to whether disciplinary action should be taken.

During the year we opened 37 files for potential Fidelity Guarantee Fund claims. After applying the statutory cap limits of $200,000 per claim, we estimated that payments totalling $1.3m will be made in respect of these claims.

The balance of the Fund at year end was $16.3m up from $12.9m in 2010/11. The total income of the Fund was $4m, comprising just over $1m in interest received, approximately $3m in contributions from practitioners, and $64,000 of recoveries.

We appointed receivers to take possession of the regulated property of three law practices and appointed supervisors of trust money of another three law practices.

The Society will continue to review and look at ways to improve and expand our trust account advisory service in light of the changes from the National Legal Profession Reform to ensure members retain access to this highly valued service and advice in the future.

Snapshot

917 new legal practitioners have been admitted to practice this financial year, up 22.2 percent on the previous year.
A focus on service

A QLS Service Charter was developed during the year to outline the commitment of all staff at the Society to deliver quality service to members, associates of the profession and the public. It defines the standard of service that can be expected and acknowledges it will provide prompt resolution to any complaints received.

To support us in our commitment to provide excellent service delivery, we made improvements to our call response service to members, stakeholder and the public. We introduced a new easy to remember and user-friendly number – 1300 FOR QLS (1300 367 757) – and an interactive voice response system. Since the introduction of this new system 72 percent of members’ queries are resolved more quickly. The changes have resulted in significant time savings (approximately 44 percent) within the call centre – enabling additional tasks to be undertaken by these staff.

We received 58,014 incoming calls during the past year. Of these, 32,144 were from members, 24,577 from the public for solicitor referrals and the remaining 1,293 calls were general enquiries.

Solicitor referrals offered to callers were provided in the following areas of law:

- Lexon Insurance
  Through our wholly owned subsidiary, Lexon Insurance Pte Ltd, we provide comprehensive professional indemnity insurance for our members at competitive rates.
  Lexon provides in-house risk management consultations to improve member risk management practices and reduce forward claims. During the year, Lexon’s risk management team conducted 634 risk workshops and conference sessions attended by more than 4147 members and employees.
  In 2011/12, Lexon paid out in excess of $19.5m in claims (after claim recoveries and excesses but before reinsurance recoveries). Claim volumes were steady with the last five years showing a continuing downward trend from the initial years of the scheme. These figures provide clear evidence of the benefits of a more proactive approach to risk management for members.

- Referrals by area of practice
Enhancing our connections

During 2011/12 we focussed on reaching our members more effectively, providing a greater level of service, and supporting members by providing enhanced communication channels. We worked to meet members’ needs to network and develop collegiality within the profession and supported the community’s understanding of the law.

Member engagement

During 2011/12 the Society focussed on identifying and being responsive to the specific and unique needs of early career lawyers, large law firms, government lawyers, in house lawyers and regional lawyers. For these groups, tailored engagement strategies were developed, and implementation has commenced.

A comprehensive membership profile was completed to explore the characteristics and attributes of our membership base, to gain an understanding of client groups within our membership and to build these findings into our business and communication planning.

During the year more than 700 early career lawyers attended events held specifically for them – with each event reaching capacity. These social events provided excellent networking opportunities and a sense of collegiality to these relatively new solicitors. Events included movie nights, a cider flight night, and a lunch with the US Ambassador to Australia, Jeffrey Bleich. An inaugural QLS Ball hosted by the Early Career Lawyers Committee was held in May and attended by 240. We partnered with the Institute of Chartered Accountant Association’s young accountants chapter to hold a successful networking event which was attended by more than 200 people.

In addition to the successful social events, we continued to work with the Early Career Lawyers Committee to develop learning and development opportunities such as dedicated sessions at Symposium and also developed bespoke
products such as the new skills accelerator series. We continued to regularly communicate, educate and inform early career lawyers via a dedicated e-newsletter The Hub.

New member events were also held during the year which were well received by attendees. “…I was really impressed it is quite stressful when you start out in the legal profession and it is great that the QLS provides so many resources to help young lawyers on the journey”.

Government lawyer membership with the Society grew by almost 20 percent. This can be attributed to the tailored events the Society held including the Government Lawyers’ Conference, social events such as the Christmas party, the provision of dedicated information, and the work of the Government Lawyers’ Committee in raising awareness with government practitioners.

We worked closely with the District Law Association (DLA) network to forge closer and more effective working relationships to better support regional practitioners. This was kicked off by the inaugural DLA workshop held in August 2011. A monthly newsletter was produced for DLA presidents geared to enhance connections and keep regions informed of the relevant products and services they can access through the Society.

“Overall the event was well organised and I made some excellent networking connections when I had only intended to have a social outing with a colleague.”
– Cider flight participant.
Legal Careers Expo –
Providing a place for future employers and employees to meet

More than 30 exhibitors engaged with hundreds of law students at Queensland Law Society’s Legal Careers Expo in March. Students discussed graduate placements, vacation clerkships and career options with possible future employers.

A popular program of information session were held for students – of greatest interest were topics that centred on employment options, applying for a job and resume writing and interview skills.

Exhibitors said they would definitely be involved again in 2012/13 to give their firms and organisations the advantage of meeting and attracting the next generation of the legal profession.

Students said the event was a valuable one for them to attend and that they would definitely recommend students attend.

Across the regions we partnered with or supported various DLAs on a broad range of events during the year. These included:

- Central Queensland DLA, Annual Ball, 13 August 2011
- Downs and South West DLA, Cocktail Function, 20 August 2011
- Townsville DLA, Early Career Lawyers event, 15 September 2011
- Central Queensland DLA, Annual Conference, 21-22 October 2011
- Vincent’s Bundaberg Law Association Conference, Friday 16-17 March 2012
- Gold Coast DLA, Resilience Breakfast, 19 April 2012
- Downs and South West DLA, Annual Ball, 19 May 2012

We worked with large law firms in Queensland, establishing a QLS liaison network with each firm, to enhance communication and better address the specific needs of these firms. Many members from large law firms are actively involved with the Society with good representation within our committees – providing their insight and support for the vital work of these groups. A range of events, including our conferences and seminars, also supported this sector.

QLS identified and hosted tables at a series of events from which members would benefit in attending. These included Australian Property Institute’s China and the Australian Resources Boom presented by Clive Palmer, 2011 Australian Institute of Company Directors and UQ Business School Leaders’ Edge Lunch Series, Land coal seam gas: Fuel for the future presented by David Knox Chief Executive Officer and Managing Director, Santos, and CEDA Women in Leadership with Elizabeth Proust AO – Chairman, Nestle (Australia). Member feedback on attendance at these events has been very positive both in terms of networking and providing business intelligence to take back to their firms.

In 2013, we will launch the QLS Leadership series.

The Legal Careers Expo in March 2012 provided an excellent platform for the government and corporate sectors, and law firms of all sizes to showcase their graduate programs, or opportunities within their organisation.

More than 70 QLS members and sponsors enjoyed our Queensland Law Society Golf Classic in October which provided a relaxed way to network and also raise money for Make a Wish Australia. Players completed 18 holes and enjoyed extensive on-course entertainment along the way. A charity auction was held for Make a Wish which raised almost $7000.
Connecting with members online

This year we embarked on the development of a social media policy, and social media strategy, and subsequently launched our social media presence on Facebook, LinkedIn and Twitter in late 2011.

Social media uptake by members has exceeded our targets with 769 followers on Twitter and 415 in LinkedIn and 612 ‘likes’ on Facebook. We have seen regular interaction on Facebook – particularly with the early career lawyers.

A review was carried out of our e-communications channels, which informed an e-communication strategy. One key recommendation from this strategy that has been implemented is the significant reduction in the volume, and increased quality, of e-communication from the Society.

We implemented an online renewal campaign this year to encourage members to use the online portal to renew their membership and practicing certificate. This campaign proved very successful with 99.99 percent of members renewing online exceeding our target of 85 percent. Members provided extensive positive feedback on the smooth renewals process in May 2012.

Queensland Law Society Golf Classic

Supporting Make-A-Wish Australia

“It was a brilliant day thank you. By far the best golf day I have been involved in.” – Golf Classic participant
Recognising achievements

During 2011/12 we recognised and celebrated the significant achievements of our profession.

The milestones of 116 practitioners reaching 25 or 50 years of service to the legal profession were acknowledged. These members were presented with a commemorative pin at a number of different events during the year across the state in Brisbane, Toowoomba, Cairns, Redcliffe, the Gold Coast, the Sunshine Coast, and Rockhampton.

We presented the Agnes McWhinney award to Suzanne Greenwood, recognising her commitment to addressing social issues within the community. The award was presented as part of the Woman Lawyers Association of Queensland’s 2011 awards dinner in September.

We held our annual legal profession dinner at Customs House in February 2012 attended by 180 members of the profession. At this event we also celebrated the Supreme Court’s sesquicentenary.

Celebrating a milestone

In honour of the Supreme Court’s sesquicentenary, Queensland Law Society presented the Supreme Court with a book commemorating every judicial appointment in Queensland for the last 150 years.

2011 President, Bruce Doyle, presented the book to Her Honour Justice Margaret McMurdo AC who accepted it on behalf of the Supreme Court at the 2012 Legal Profession Dinner in April.

The book features each judge’s name for the past 150 years, written in beautiful calligraphy by renowned artist Dave Wood. It is bound in goatskin leather by a leading book binder – Fred Pohlmann, and carries the State’s motto – Audax at Fidelis – translated as Bold but Faithful. The front depicts the bull and ram from Queensland’s (and the Court’s) coat of arms, relating to the rural activities of our State. The back is graced by two elements from Queensland Law Society’s shield – the Cooktown orchid as Queensland’s floral emblem and the sunburst representing enlightenment in justice and learning.
Connecting with the community and our stakeholders

During 2011/12 we successfully contributed to the public’s understanding of legal issues, we represented community interests to government and communicated these via our various channels including the media.

In the last half of 2011/12 we implemented a campaign to increase education across Queensland on legal issues and services including when and how to engage a solicitor, and on areas of law such as family law and estate planning. This included displaying brochures in 550 GP practices. Brochure uptake has been above average compared to similar campaigns run by other organisations with the highest uptake in the Brisbane and Moreton, Wide Bay-Burnett and Far North regions. More than 5,500 brochures have been distributed to the community via this channel.

During the year more than 21,000 brochures were distributed to members to provide to clients, community groups and the public.

Public information brochures distributed to members:

<table>
<thead>
<tr>
<th>Brochure</th>
<th>Issued</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying and Selling a Residential Property</td>
<td>2300</td>
<td>11%</td>
</tr>
<tr>
<td>Buying or Setting up a Small Business</td>
<td>1825</td>
<td>8%</td>
</tr>
<tr>
<td>Leasing Premises for a Business</td>
<td>1200</td>
<td>5%</td>
</tr>
<tr>
<td>Estate Planning</td>
<td>3620</td>
<td>17%</td>
</tr>
<tr>
<td>Making Your Will</td>
<td>2443</td>
<td>11%</td>
</tr>
<tr>
<td>Enduring Power of Attorney</td>
<td>2385</td>
<td>11%</td>
</tr>
<tr>
<td>Alternative Dispute Resolution</td>
<td>1635</td>
<td>7%</td>
</tr>
<tr>
<td>Building and Construction Work</td>
<td>625</td>
<td>3%</td>
</tr>
<tr>
<td>Family Law</td>
<td>2298</td>
<td>10%</td>
</tr>
<tr>
<td>Understanding Queensland’s Court System</td>
<td>990</td>
<td>5%</td>
</tr>
<tr>
<td>Understanding the Legal Profession</td>
<td>1070</td>
<td>5%</td>
</tr>
<tr>
<td>Questions to ask your Solicitor</td>
<td>1435</td>
<td>7%</td>
</tr>
</tbody>
</table>

We participated in Law Week (14-20 May) this year, supporting the QPILCH walk for justice and holding the criminal history tours. We also included our successful Annual Law Ball in the calendar of events for the week.

This year we extended the dates and frequency of Criminal History Tours, providing both daytime bus tours and night time walking tours of the CBD, and more than 380 people participated in these tours.

To further support the positive and consistent positioning of the society and the profession across all our communication to the community and to the profession we developed a new style guide and refreshed the look and feel of all our marketing and communication collateral.
Connecting the dots – ensuring our business fitness

The Society is committed to ensuring that members benefit from the introduction of any national legal profession reform. In 2011/12, with the national law reform on the horizon, we identified the opportunity to move to an alternative legal structure. During the year we undertook a significant procurement process to obtain independent legal advice on this, which resulted with Blake Dawson (now Ashurst) appointed. Consideration during the year was given to the impacts on operations and management and the governance structure to support an alternative legal structure.

We are committed to optimising revenue, through commercial arrangements such as our affinity program and advertising and sponsorships, so that we can invest in our services and products. To support this we closely monitored and reviewed our commercial arrangements with organisations such as Amex, AMP and OnePath during the year to ensure value continued to be derived from these arrangements. Commission payments from our affinity partners declined by 15 percent over the year, resulting from reduced product uptake rates and some reduced commission rates.

In 2011/12, 2.3 percent of members had a OnePath Affinity policy, 0.5 percent took out an AMP Bank Affinity Home loan, and 25 percent of members had an American Express card. In 2012/13 we will continue to assess our commercial partnerships.

Our goal to achieve a 20 percent increase in our revenue streams for sponsorship and advertising was not realised during the year. Instead a seven percent increase in sponsorship was achieved and an 11.7 percent decrease in advertising was experienced. We attribute this to the poor economic climate, particularly in the corporate and service sectors, and a renewed focus on identifying fresh business opportunities which required a certain investment of time initiating new relationships. By the end of the year our suite of sponsors and advertisers was tailored to build more membership value, expanding interests beyond purely business-focused contacts to include lifestyle and leisure organisations.

We have a number of pre-existing service level agreements with suppliers to ensure value for money and achievement of agreed performance indicators. Our long standing relationships with reliable suppliers often see agreed service benchmarks exceeded. Other benefits include access to efficient process mechanisms and special rates. In particular, our ability to enter Standing Offer Arrangements with suppliers enables us to access government pricing rates, further enhancing value for money delivered in supplier arrangements. Queensland Law Society investigated various service management options where potential efficiencies were identified. A final decision will be made in 2012/13.

We remained committed to our environmental sustainability initiatives during the year to reduce our impact on the environment. We reduced paper usage and waste through our policies of double sided printing and general awareness raising with staff – recycling 3.22 tonnes of waste paper. We recycled 55,780 cubic litres of other materials such as cardboard, plastics and metals.

The Society’s electricity usage remained consistent with last year. We recycled 500 Fluorescent Tubes in 2011/12 which has meant we saved more than 1.75kg of mercury being disposed into landfill.

<table>
<thead>
<tr>
<th>Membership categories</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Associate</td>
<td>541</td>
</tr>
<tr>
<td>Complimentary</td>
<td>56</td>
</tr>
<tr>
<td>Honorary</td>
<td>21</td>
</tr>
<tr>
<td>Full</td>
<td>8761</td>
</tr>
<tr>
<td>Student</td>
<td>1259</td>
</tr>
<tr>
<td>Total</td>
<td>10,638</td>
</tr>
</tbody>
</table>

Snapshot

More than half the Society’s full members are under 39 years of age (52 percent).
Connecting with our people

In 2011/12 we progressed the development of our organisational capability by ensuring we have the right people in the right roles, sharing our values and demonstrating a strong client ethos.

To support our members, our team of 100 committed and experienced staff worked hard and smart to help us begin to realise our vision of becoming the leading legal association in Australia. 92 staff were full time equivalents, with eight employed on a casual/part time basis. Staff turnover decreased from 23 percent to 15 percent this year.

A staff engagement survey, conducted in May 2012, resulted in an exceptional response rate of 84 percent. Results showed a very high level of engagement across the organisation and provided insights into areas for development and refinement.

During the year, resourcing was allocated to support the organisation’s key projects. This was achieved by reallocating resources internally and back filling where appropriate. In June 2012, we reviewed our business unit structure to ensure closer internal strategic alignment with the outcomes of our product and service review. This new organisational structure will take effect in July 2012.

Internal communication strategies were developed and implemented during the year to support business change and corporate initiatives ranging from the introduction of new phone systems, new brand guidelines, and our social media strategy and supporting policy, to the implementation of Project Connect and its business and member impacts. A Communications Champions’ team was formed to enhance internal communications across the business units. Our intranet continued to be refined to ensure it is a solid and reliable information tool for staff.

Attracting and retaining talented people

We successfully attracted quality candidates to fill our job vacancies during the year, with often receiving more than 50 applicants for each advertised role. Only once did we require the assistance of an external consultant to fill a technical specialist role.

We improved our recruitment practices assisted us in making quality selection decisions which ensured we recruited the best candidate for the role. This included developing accurate role profiles, applying a behavioural interviewing approach and conducting reference checks.

We continue to work hard in developing a learning culture within the organisation. This included providing team members with learning opportunities through taking on challenging and interesting work to develop their skills with many learning opportunities made available via significant projects during the year. Team members were encouraged to participate in focus groups to utilise opportunities to learn from others and be involved in meaningful work.
Our performance management framework

All new team members undertake a comprehensive two week onboarding program followed by a four and eight week checkpoint progress assessment to support their induction into the organisation. At successful completion of the probation period, team members are transitioned to our performance management and development program, Link Success, where an individual’s goals for the coming year are agreed to with their manager.

QLS continued to embed and enhance Link Success, which for the second year, was linked to our reward and recognition program.

We are currently developing a flexible working arrangement policy; and our practice during the year was to consider all flexible working requests. During 2010/11 25 percent of employees enjoyed flexible work arrangements.

Leadership and management development

We identified a set of core leadership competencies based on the skills required of leaders to deliver the strategic goals defined in the corporate strategic plan. The core competencies included: the ability to apply strategic thinking and execute strategy, driving business performance, building relationships, and enabling others and modelling the way. A tailored approach to leadership development was adopted, giving individuals the opportunity to develop their professional development plans in consultation with their direct manager.

In November 2011, all managers attended two in-house workshops aimed at developing strategic thinking and business planning.

Ongoing learning is strongly encouraged, with a number of team members completing post graduate qualifications in their area of speciality. QLS has corporate membership at the Australian Institute of Management (AIM) which provides a range of learning and professional development offerings for our business unit managers and team leaders. All new team leaders are required to undertake a two-day supervisor’s program at AIM, to equip them with the fundamental skills and knowledge to lead a team.

Workplace health and safety

Workplace health and safety (WH&S) is of paramount importance, and formed part of an education program rolled out to staff during the year. This included harassment awareness sessions and annual fire and emergency training. WH&S awareness sessions were held within teams to ensure individuals and teams alike took responsibility for WH&S in the organisation.

In preparation for the new WH&S legislation that came into effect on 1 January 2012, all managers attended an information session on the new WH&S legislation. Organisation-wide workplace safety assessments were also conducted.

In line with the new WH&S legislation, a WH&S adviser was appointed to ensure continuity of best practice in WH&S and to maintain our excellent workplace safety record of zero serious workplace incidents. There were also no lost time injuries during the year. We continued with our WH&S committee to ensure a proactive approach to keeping the workplace safe and healthy.
Our leadership team

Noela L’Estrange
BA (Hons) LLB MAdmin FAICD FAIM

Noela was appointed as Chief Executive Officer of Queensland Law Society in May 2009.
She is a director of Lexon Insurance Pte Ltd and is also a member of its Audit and Investment Committee. Noela is a director of the Camerata of St John’s and a Fellow of both the Australian Institute of Company Directors and the Australian Institute of Management. She is a member of the management committee for the Queensland Public Interest Law Clearing House (QPLCH), which operates the Society’s pro bono legal program, and is also a member of the Supreme Court of Queensland Library Committee.

She has extensive experience in the legal profession, as a practitioner in both private and public practice, an academic, human resources lawyer, strategic consultant and, immediately prior to her appointment, as the Director of Legal Practice Support for the Australian Government Solicitor in Canberra. She has been a director of public and private companies, and has been a national Director of the Australian Corporate Lawyers Association and a councillor for the ACT for the Australian Institute of Company Directors.

Erin Bray
GradCertBus AFAMI CPM

Corporate Communication and Marketing
Erin Bray joined Queensland Law Society in May 2011 to lead the Society’s Marketing team, supporting the organisation’s key business areas to achieve against agreed strategic imperatives. In September 2011, Erin became Acting Director, to cover a period of parental leave. Erin is responsible for the provision of strategic communication advice, risk management, member engagement and stakeholder relationships; development of member products and services, and working to improve the Society’s ability to deliver quality outcomes for our members and stakeholders.

With more than 15 years’ experience in the marketing and communication field, including managing her online marketing consultancy, she has held key strategic senior roles within both private and public sector organisations.

Dianne Firman
BA (Psychology), Grad Dip Organisational Psychology, Masters of Organisational Development and Strategic Human Resource Management

Dianne Firman looks after the people at Queensland Law Society, ensuring the alignment of the people strategy with the business strategy to realise its strategic goals.

She has an extensive background in human resource management that extends across a range of sectors including hospitality, airlines, professional services and tertiary education.

Malcolm Hinton
LLB (Hons) LLM GradCertAppMgt

General Counsel, Advocacy and Accountability
Malcolm Hinton holds two positions with Queensland Law Society. As General Counsel, he heads up a small team of solicitors who provide in-house legal services to the Society. As leader of the Advocacy and Accountability team, he oversees the operations of the Advocacy Team, the Professional Standards section, the Dispute Management Centre and the administrative support to the Legal Practitioners Admissions Board.

Malcolm holds a Bachelor of Laws and Masters of Laws from QUT and has been admitted to the Supreme Courts of Queensland, New South Wales and the Australian Capital Territory. He has worked as a solicitor in private practice, a government legal officer and a corporate lawyer and has served as a police officer in Queensland and East Timor.
Peter Lyons
LLB LLM MA (Justice Studies) MBus

Member Central; Operations

Peter Lyons leads Queensland Law Society’s member relations operations, incorporating records and membership management, professional development and overseeing the Society’s corporate services team.

Peter has more than 30 years’ experience within the legal services industry, both within the private and public sector. He began in his current position with the Society in 2008 and has previously been Deputy General Counsel and Manager, Investigations. He has held positions with the Crime and Misconduct Commission and was a practitioner for ten years in private practice.

In his current position, he has developed a keen interest in the activities and values of professional associations particularly in the areas of governance, strategic planning and membership motivation and engagement. These interests have led to him successfully completing a Master of Business in philanthropic and not-for-profit studies at QUT.

Katrina North
GAICD, ACIS

Corporate Secretary

Katrina North ensures that Queensland Law Society meets its obligations as a statutory authority. She takes responsibility for corporate governance, risk management and relationships between Queensland Law Society and its governing Council, including keeping Council fully informed on how strategic planning decisions are being implemented.

Katrina joined the Society in May 2010 and has a background in strategy, corporate administration and governance, and brings experience from a variety of industries including professional services, government-owned corporations, small-to-medium enterprises and financial institutions.

She is a Chartered Company Secretary, a Graduate Member of the Australian Institute of Company Directors, a Non-Executive Director of Museum and Gallery Services Queensland and is completing her MBA at the Australian Graduate School of Management.

Scott Rowan
BCom CA

Information Systems

Scott Rowan looks after Queensland Law Society’s technology needs, ensuring its systems are capable of supporting the Society’s operational needs and strategic goals.

Scott is a graduate of the University of Queensland and leads a dedicated team of information technology specialists. With more than 13 years’ experience in information systems, along with a background in accounting, he brings a strong drive to deliver on strategic objectives through the selection, implementation and ongoing use of appropriate information systems and processes for the Society.

Anthony Walduck
CA

Group Chief Financial Officer

As Group Chief Financial Officer, with responsibility for both Queensland Law Society and Lexon Insurance, Anthony Walduck ensures that financial controls are in place so that both operate with fiscal responsibility.

Anthony Walduck completed a Bachelor of Commerce at the University of Queensland and has been a member of the Institute of Chartered Accountants since 1994. Prior to joining the Society, he spent seven years working for a chartered accounting firm and six years in commerce, holding senior finance roles for various insurers. Anthony has been with the Society since November 2005.
Our Council

Council Members
1 July to December 2011

Bruce Doyle
(President)

Raoul Giudes
(Vice President)

Peter Eardley
(Immediate Past President)

Don Armit

Deborah Awyzio
(Attorney-General’s nominee)

Annette Bradfield

Ian Brown

Genevieve Dee

Michael Fitzgerald

Lynette Galvin

Rowena McNally

Joanne Parisi

Council Members
December 2011 to 30 June 2012

Dr John de Groot
(President)

Annette Bradfield
(Deputy President)

Ian Brown
(Vice President)

Bruce Doyle
(Immediate Past President)

Rohan Armstrong

Deborah Awyzio
(Attorney-General’s nominee)

Genevieve Dee

Warren Denny

Michael Fitzgerald

Susanne Greenwood

Joanne Parisi

Bill Potts

Paul Tully
Rohan Armstrong

Rohan Armstrong is a partner of Roberts Nehmer McKee Lawyers and practices in Townsville. He was admitted as a solicitor in 1989 after five-year articles with Roberts Leu & North. He is an accredited specialist with extensive experience in insurance cases, banking and finance law, workplace health and safety, criminal law and employment law. Rohan has a special interest in professional standards.

Donald Armit

Don Armit is a partner of Lee Turnbull & Co. in Townsville. He holds a Bachelor of Economics (Commerce) from James Cook University in 1975 and worked in London as an accountant and rugby player in Italy until 1979 when he returned to Australia. He worked as a company secretary in Townsville and was admitted as a barrister of the Supreme Court of Queensland and unconditionally as a solicitor in June 1989. Don is a past member of the Lifeline Community Board (eight years) and Community Legal Welfare Centre, giving pro bono advice for 19 years. He is a Rotarian of 14 years’ service, a life member of Brothers Rugby Union, Townsville, and Picnic Bay Surf Life Saving Club, a member of the Queensland Law Society Management Committee and chair of the Practice Management Course Sub-Committee. Don practises in general law in a small firm.

Deborah Awyzio

Deborah Awyzio is the Principal of D A Family Lawyers, a Brisbane CBD family law firm. Deborah is president of the Family Law Practitioners’ Association (Qld) and a member of the Family Law Pathways Group Steering Committee and the Advisory Committee for Masters of Family Law program with the College of Law. She is an accredited family law specialist, undertakes work as a solicitor advocate in both the Family Court of Australia and the Federal Magistrates Court and has been practising since 1996.

Annette Bradfield

Annette is a partner of Fox Bradfield Lawyers practising primarily in property and commercial law. Having worked in firms large and small, rural and city, (Groom & Lavers, Minter Ellison, Barwicks Wisewoulds and Porter Davies) and as a lecturer and mentor at QUT Legal Practice Course, Annette has extensive understanding of the range of issues facing members and the legal profession and sees advocacy by QLS for QLS members as a fundamental QLS service.

Ian Brown

Ian was admitted in 1990 and is Principal, Maurice Blackburn Lawyers, Browns Plains. He is a Member of the QLS Council Executive, Professional Conduct Committee, Accident Compensation/Tort Law Committee, a Personal Injuries Law Accredited Specialist and past president Australian Lawyers Alliance. Ian is an advocate of ensuring QLS delivers quality services in trust accounting, practice management, ethics and professional development that accommodates the specific needs of remote, regional and suburban practitioners.

Genevieve Dee

Genevieve Dee is an Accredited Family Law Specialist and senior associate in Cooper Grace Ward’s family law team. Genevieve was elected a Councillor of Queensland Law Society for 2010-2011, is past Chair of the New and Early Career Lawyers Section of the Society, and currently a member of both the Family Law Section and the Committee of Management. She believes strong and coherent advocacy on behalf of the Society’s members is essential. Genevieve actively supports the Society’s CPD program in regional Queensland and volunteers her time to present on family law topics in regional Queensland.
Warren Denny

Warren Denny is an accredited specialist property law and was admitted as a solicitor in 1986. He has 25 years' experience and is a partner with Middletons' Brisbane office. He is a member of the Property Law Specialist Accreditation Advisory Committee and the Property and Development Law Committee, and has a particular interest in risk management in property transactions. He is the author of the Lexon first letters package and protocol checklists, and is active in promoting the prevention of claims through education in the profession. Warren would like to see ongoing improvement in the efficiency and viability of property and conveyancing practices across the profession.

Bruce Doyle

Bruce has more than 30 years' experience in practice and is managing partner of Family Law Doyle Keyworth & Harris. He is QLS' Immediate Past President, an Accredited Family Law Specialist and chairs the QLS Access to Justice and Pro Bono Law Committee.

Previous roles included QLS director on the Law Council of Australia in 2010 and 2011, president of the Family Law Practitioners Association (Qld), Queensland solicitor representative on Executive of the Family Law Section of the Law Council of Australia and deputy president of the Children Services Tribunal.

Peter Eardley

Peter Eardley practises in insurance litigation and is a partner of Eardley Motteram in Brisbane. He has been a Council member since 2005, a member of the Executive Committee since 2006 and President in 2010. Peter is a member of the Litigation and Rules Section, a former member of the Accident Compensation Committee, the Fidelity Fund Claims Committee and the Organising Committee for Personal Injury CLE seminars. He is a director of Lexon Insurance Pte Ltd and was a director of College of Law Queensland Pty Ltd. Peter is a delegate to the Law Council of Australia Sub-Committee on Privacy and Privilege and a member of the Supreme Court Library Committee.

Michael Fitzgerald

Michael Fitzgerald is a partner in Ashurst (formerly Blake Dawson) having been with the firm since 1982. His area of expertise is banking and finance law, advising banks, listed companies and statutory corporations. Michael is a member of the Law Council of Australia Financial Services Committee and the Banking and Financial Services Law Association. He holds membership of a number of community organisations including: Rotary Club of Kenmore Inc (Past President 2005-2006), Coeliac Queensland (currently President), and Our Lady of the Rosary Parish Kenmore (member parish finance council).

Lynette Galvin

Lynette Galvin has been a solicitor for 19 years and previously served on the Council in 2006-2007. She was one of only two women on Council at that time. She is the founder of Journey Family Lawyers, which has offices in south-east Queensland and Rockhampton. Lynette holds a degree in Law as well as a Bachelor of Education. She was the winner of the service industry Women in Business award conducted by the Queensland Business Review in 2009.

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Raoul Giudes
Raoul Giudes is a partner of Giudes & Elliott Solicitors in Townsville. He is Chair of the Queensland Law Foundation, a past president of Queensland Law Society, past president of North Queensland Law Association, and an ex-officio committee member of the North Queensland Law Association and Townsville District Law Association. Raoul is also a member of the Society’s Professional Standards Committee, was a member of the 2007 LAWASIA Observer Mission to Fiji reporting on Rule of Law, and a part-time member of the Mental Health Review Tribunal.

Suzanne Greenwood
Suzanne Greenwood has a demonstrated commitment of service to QLS members as a member of the Proctor Editorial Committee (since 2009) and formerly of the Marketing Committee (six years) and the International Relations Committee (10 years). Admitted in 1992, Sue has worked in private, government and now in-house legal roles and is currently general counsel to the St Vincent de Paul Society. In 2010, Sue was awarded the Australian Corporate Lawyers Association national Award for Excellence in Corporate Social Responsibility, and in 2011 received the prestigious Agnes McWhinney Award in recognition of outstanding contribution to the community by a female solicitor.

Dr John de Groot
Dr John de Groot has experience in the practice of law in a variety of settings, including as a sole practitioner and partner of a major law firm (which is now Minter Ellison). He is currently Special Counsel at de Groots Wills and Estates Lawyers. John has extensive ties with the Society, having been either a member or chair of various QLS committees for over 30 years. John’s commitment to the profession is demonstrated by his many years of teaching ethics and legal practice skills, his authorship of practical legal texts and drive to improve services for practitioners throughout Queensland, be they sole practitioners, partners or associates in major law firms, in-house corporate counsel or government lawyers.

Rowena McNally
Rowena McNally was admitted in 1980 and became a corporate lawyer in 1996. She is a member of AIICD, AIM, ACLA, IAMA and LEADR, a mediator, arbitrator and adjudicator, chair of the ACLA Professional Issues Committee and contributing author to the ACLA Practice Manual. Rowena is a member of the Queensland Law Society Proctor Committee and of the Law Council of Australia E-commerce Committee and Queensland Law Society/Law Council of Australia Corporations Law Committee (former chair/deputy chair). She is a former ACLA state/national chair and regular lecturer on risk management, ethics and corporate governance issues. Her community/public service includes positions as chair of the Cerebral Palsy League Queensland, Mount Isa Water, Chicken Meat Industry Committee and as deputy chair of Cerebral Palsy Australia. She is a director of Catholic Health Australia, a trustee of Mary Aikenhead Ministries and a former director of WorkCover Queensland.

Bill Potts
Bill Potts has worked as a criminal lawyer since his admission in 1982, first with Price & Roobottom at Southport and more recently as a director of Potts Lawyers in Brisbane and Southport. He has been active for many years in counselling members and assisting with complaints and disciplinary matters. Bill’s work with QLS includes his role as a Senior Counsellor (since 1997) and service on the Criminal Law Committee. He has previously worked to establish a community legal centre and serves on a school board.

Paul Tully
Paul Tully is a Principal and Practice Chairman of McInnes Wilson Lawyers Pty Ltd and has seen it evolve from a three principal ILP. Paul believes in the constant improvement of technology to support rural and regional practitioners and the importance of the professional development program. Outside of law, he is a member of the Australian Institute of Company Directors, a Judicial Officer of SANZAR (South Africa, New Zealand and Australia Rugby) and Chair of the Queensland Rugby Union Judicial Committee.
Corporate governance

Our Council

The Society is governed, under the Legal Profession Act 2007, by an elected Council of 12 members including:

- the President, Deputy President and Vice President;
- the Immediate Past President following that person's presidency;
- eight elected Council members (of the Society, elected or appointed under a Society rule); and
- the State Attorney-General also appoints a representative for Council, resulting in a total of 13 council members.

Council is responsible for the governance of Queensland Law Society including the continual review of the strategic plan and the Society’s performance as reported through the CEO. This incorporates, in conjunction with management, reviewing the organisational goals, endorsing the strategies to achieve these goals and setting performance indicators to measure the Society’s performance. Council is also responsible for approving the annual budget and overseeing the financial management of the Society’s affairs.

Elections for Council are held in October every second year, with all full Society members eligible to vote. Elections for Council were held in October 2011 and resulted in a new Council being appointed for a two-year term, with the President elected for a one-year term and the-elected Deputy President assuming the role of President for the second year of the term.

Audit and Investment Committee

The Audit and Investment Committee is responsible for overseeing the financial reporting process to ensure the balance, transparency and integrity of published financial information and investment of surplus funds in accordance with the approved Investment Policy. This committee met three times during the year.

During the year Mr Bill East retired as the Audit and Committee Chair after six years as Chair, in addition to his long standing service and contribution to the Professional Standards Committee. The Society takes this opportunity to thank Mr East for his many years of unfailing service and guidance to the Society and wishes him well in his retirement.

After an extensive search and recruitment process, the Society was pleased to welcome Mr Grant Wallace as Chair of the Committee in March 2012.
Our corporate governance

Council meets regularly throughout the year in order to appropriately discharge its duties and monitor the performance of the Society.

<table>
<thead>
<tr>
<th>Meetings attended</th>
<th>2011 Of 6</th>
<th>2012 Of 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>John de Groot (President – 2012)</td>
<td>n/a</td>
<td>5</td>
</tr>
<tr>
<td>Bruce Doyle (Immediate Past President – 2012, President – 2011)</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Peter Eardley (Immediate Past President – 2011)</td>
<td>6</td>
<td>n/a</td>
</tr>
<tr>
<td>Raoul Giudes (Vice President – 2010/11)</td>
<td>5</td>
<td>n/a</td>
</tr>
<tr>
<td>Annette Bradfield (Deputy President 2012)</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Ian Brown (Vice President 2012)</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Deborah Awyzio (Attorney-General’s nominee)</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Donald Armit</td>
<td>6</td>
<td>n/a</td>
</tr>
<tr>
<td>Rohan Armstrong</td>
<td>n/a</td>
<td>5</td>
</tr>
<tr>
<td>Genevieve Dee</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Warren Denny</td>
<td>n/a</td>
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</tr>
<tr>
<td>Michael Fitzgerald</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Lynette Galvin</td>
<td>5</td>
<td>n/a</td>
</tr>
<tr>
<td>Suzanne Greenwood</td>
<td>n/a</td>
<td>5</td>
</tr>
<tr>
<td>Rowena McNally</td>
<td>5</td>
<td>n/a</td>
</tr>
<tr>
<td>Joanne Parisi</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Bill Potts</td>
<td>n/a</td>
<td>5</td>
</tr>
</tbody>
</table>

Please note: Information on our Information systems and record keeping, consultancy use, overseas travel and Carers (Recognition) Act 2008 are available on our website qls.com.au.

The Executive Committee for 2011 comprised:

- Bruce Doyle (President)
- Raoul Giudes (Vice President)
- Peter Eardley (Immediate Past President)
- Annette Bradfield
- Donald Armit
- Ian Brown

The Executive Committee for 2012 comprised:

- John De Groot (President)
- Annette Bradfield (Vice President)
- Bruce Doyle (Immediate Past President)
- Ian Brown
- Michael Fitzgerald
- Joanne Parisi
ASX Corporate Governance Principles and Recommendations

**Principle 1 – Lay solid foundations for management and oversight**

1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

Queensland Law Society (QLS, the Society) has established a Council Charter that clearly outlines the role and functions the Council reserves for itself as the governing body of the organisation and those which may be delegated to management. These functions include:

a. management’s implementation of agreed strategy

b. monitoring the performance of the Society’s business activities by measuring that performance against the setting the strategic direction of the Society, ensuring appropriate resources are available and monitoring Society’s strategic plan

c. selection and appointment of the Chief Executive Officer, determining his/her conditions of service and monitoring his/her performance against agreed objectives

d. monitoring the financial outcomes and the integrity of reporting, ensuring the preparation of accurate financial reports and statements and approving the annual budget

e. appointing such committees of the Council as may be appropriate to assist in the discharge of its responsibilities and determining the responsibilities and charter of these committees

f. ensuring the Society has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility

g. oversight of the Society’s wholly owned subsidiaries, including but not limited to Lexon Insurance Pte

In addition to matters expressly required by law to be approved by the Council, Council has specifically reserved the following functions for itself:

h. appointing and removing the Chief Executive Officer and determining his or her terms and conditions of employment (including remuneration)

i. reviewing and ratifying each of the following:

   i. systems of risk management and internal control and compliance, codes of conduct and legal compliance

   ii. financial and other reporting

   iii. major capital expenditure, capital management, the Investment Policy for the Society, its statutory accounts (ie the LCLF and FGF) and all of its entities, and acquisitions and divestitures

j. approving, on the recommendation of the chief executive officer, each of the following:

   i. the strategic plan, at least annually

   ii. the budget, at least annually

   iii. the appointment and, where required, the removal of the group chief financial officer, corporate secretary, and general counsel

   iv. significant changes to organisational structure

   v. the acquisition, establishment, disposal or cessation of any significant business of the Society or its entities.

The Council Charter is published on the Society’s website.

Continual professional development – The Society provides an induction program for all new Councillors. The Society recognises the importance continual professional development and has an approved policy and funding for the President or Deputy President to undertake the Graduate Diploma with the Australian Institute of Company Directors each year and for all Councillors to attend relevant workshops, seminars and conferences to update and maintain their skills and knowledge to perform their role effectively.
1.2 Companies should disclose the process for evaluating the performance of senior executives

The performance of the Society’s senior management is evaluated by the Chief Executive Officer at least half yearly in reviewing progress against stated objectives of the Society’s strategic plan. The Society has adopted a remuneration policy that supports the Society’s values, is transparent, fair and consistent and aims to attract, retain and motivate employees to achieve the Society’s strategic objectives by encouraging accountability and teamwork.

Principle 2 – Structure the board to add value

Board Meetings – There were 11 Council meetings during the year. An attendance table is provided on page 46. The President, CEO and Corporate Secretary discuss and finalise the agenda for each meeting which routinely includes monthly financial reports, quarterly progress to strategic objectives and update and exception reports to major projects and undertakings. Council Papers are distributed a week prior to the meeting to allow Councillors to be fully conversant with issues for discussion.

2.1 A majority of the board should be independent directors

12 of the current 13 positions of the Council of the Society are determined by member vote every two years. The 13th position is an independent Councillor nominated by the Attorney-General.

2.2 The Chair should be an independent director

The President (Chair) and Deputy President of the Society are determined by member vote every two years. The President holds the position for one year and the Deputy President then becomes the President for the following year. Both positions are independent.

2.3 The roles of the chair and chief executive should not be exercised by the same individual

The Society separates the role of the President (Chair) who is elected by members and the CEO who is employed by the Society. The CEO is appointed for a renewable term.

2.4 The board should establish a nomination committee

Given the nature of the organisation and the manner in which members of the Council are selected, the Society has determined it is not practicable or necessary for the Society to establish a permanent nomination committee. A nomination committee was established for the recruitment of the Independent Chair of the Audit and Investment Committee during the year.

The Council has adopted a policy for nominee appointments to be made with due consideration of: nominee appointments to external organisations; the complexity of the business to which the appointment is made; the necessary and desired skill set of the board/committee to which the appointment is made; the level of experience required; the appropriateness of the appointment; any real or perceived conflicts of interests for a term of two years, after which the incumbent may seek reappointment for a maximum of three consecutive terms.

2.5 Companies should disclose the process for evaluating the board, its committees and individual directors

The Council undertakes a bi-annual performance evaluation of itself that compares the performance of the Council with the requirements of its charter; and effects any improvements to the Council charter deemed necessary or desirable.

Principle 3 – Promote ethical and responsible decision making

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:

3.1.1 The practices to maintain confidence in the company’s integrity

3.1.2 The practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders

3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practice

The Society has developed and implemented a Code of Conduct that applies to all staff and we encourage our Council, committee members, members and business colleagues to partner with us in implementing our Code. Staff are educated in the importance of the Code, requirements to ensure adherence and potential impacts if the Code is breached.
3.2 Companies should establish a policy concerning diversity and disclose the policy of summary of that policy. The policy should include requirements for the board to establish measureable objectives of achieving gender diversity for the board to annually assess both the objectives and the progress in achieving them.

The Society has developed and adopted a variety of policies and practices that encourage a diverse workforce and promote flexible working arrangements. These policies include the Society’s reward and remuneration policy, carer’s policy, study assistance and learning and development policies.

3.3 Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Society endeavours to encourage and maintain diversity in all forms throughout its workforce. To date this has been successfully addressed and achieved by the Society’s recruitment and selection processes, which seeks to employ the best candidate to meet the ongoing needs of the Society at the time. The Society is mindful of its size, the industry in which it operates and the likely candidate pool for vacancies at any time. While the Society provides a flexible work environment, opportunities for individual development and a supportive learning and development policy which encourages continual professional development to enable an individual’s career progression; it does not currently have, or consider it necessary to have, a specific policy, or to promote gender diversity.

3.4 Companies should disclose in each annual report the proportion of women employees, women in senior executive positions and women on the board.

64 percent of the Society’s workforce is female. Females represent 52 percent of middle management, 50 percent of senior management and 42 percent of the Society’s Council (Board).

3.5 Companies should provide the information indicated in the guide to reporting on Principle 3.

Principle 4 – Safeguard integrity in financial reporting

4.1 The board should establish an audit committee.

4.2 The audit committee should be structured so that it:

4.2.1 Consists only of non-executive directors

4.2.2 Consists of a majority of independent directors

4.2.3 Is chaired by an independent chair, who is not chair of the board

4.2.4 Has at least three members

4.3 The audit committee should have a formal charter.

The Society has an Audit and Investment Committee that meets not less than three times per year. The Audit and Investment Committee has an independent Chair who is not the President and the committee currently consists of five independent Councillors and the Chief Executive Officer. The Audit and Investment Committee operates under a Terms of Reference document which is approved by Council and reviewed annually.

Principle 5 – Make timely and balanced disclosure

The Society is not a public entity and therefore does not have any continuous disclosure obligations. A copy of the Society’s Annual Report is made available to all members and stakeholders and publicly published on the Society’s website.

Principle 6 – Respect the rights of shareholders

6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or summary of that policy.

6.2 Using electronic communications effectively.

The Society regularly utilises video and teleconferencing facilities to overcome geographical challenges of providing services across Queensland and to ensure regional participation. The Society has developed a communication strategy to foster a high level of engagement with our members, stakeholders and the broader public.
**Principle 7 – Recognise and manage risk**

Companies should establish a sound system of risk oversight and management of internal control.

7.1 **Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies**

The Society has established an Audit and Investment Committee with an independent chair that oversees the financial activities, investments, risk management and reporting of the Society. The Audit and Investment committee has its own Terms of Reference and meets at least three times per year. The Society is a Statutory Body and as such meets the obligations and requirements of the **Financial Management Reporting Act Qld 2010**.

7.2 **The board should require management to design and implement the risk management and internal control system to manage the company’s material business risks and report to it on whether those risks are being effectively managed. The board should disclose that management has reported to it on effectiveness of the company’s management of its material risks**

The Society has adopted an integrated risk management approach, with risk assessments performed routinely in the development of business cases and the normal course of business. Material risks are identified, assessed and captured on a centralised risk register. The register is reviewed and updated whenever new risks are identified, and at least annually, by management and is then submitted to both the Audit and Investment Committee and the Council for their respective consideration and review.

7.3 **The board should disclose whether it has received assurance from the chief executive officer or equivalent and the chief financial officer or equivalent that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks**

Council, via the Audit and Investment Committee receives written assurance from both the Chief Executive Officer and the Group Financial Officer in accordance with the **Financial Management Reporting Act (Qld) 2010**. This Act contains similar provisions to section 295A of the Corporations Act 2001.

7.4 **Companies should provide the information indicated in the guide to reporting principal 7**

**Principle 8 – Remunerate fairly and responsibly**

The board should establish a remuneration committee

Given the size and nature of the Society and that Council is elected by Society members, the Society does not consider it necessary or practical to establish a remuneration committee.

8.1 **Companies should clearly distinguish the structure of the non-executive directors remuneration from that of executive directors and senior executives**

The President and Vice President are the only non-executive directors (Councillors) who receive an Honorarium for their services to the Society. The Honorarium is determined by the Society at a General Meeting.

The non-executive and independent chair of the Audit and Investment Committee is paid an agreed rate.
Financial statements
Queensland Law Society Incorporated

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*All amounts are denoted in Australian currency.*
## Statement of comprehensive income
for the year ended 30 June 2012

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### Revenue

- **Membership and practitioner fees**
  - 2012: $8,746,933
  - 2011: $8,103,292
- **Department of Justice and Attorney-General grants**
  - 2012: $1,408,427
  - 2011: $1,736,313
- **Rent and administration revenue**
  - 2012: $716,311
  - 2011: $845,426
- **Membership services and events**
  - 2012: $4,020,206
  - 2011: $4,144,113
- **Commissions and funding**
  - 2012: $373,914
  - 2011: $396,376
- **Insurance premiums, levies and deductibles**
  - 2012: $27,914,432
  - 2011: $29,077,206
- **Investment income**
  - 2012: $7,131,327
  - 2011: $9,093,482
- **Realised gains (losses) on financial assets**
  - 2012: $(1,156,024)
  - 2011: $49,349
- **Fair value gains on financial assets**
  - 2012: $5,053
  - 2011: $(540,999)
- **Other income**
  - 2012: $130,208
  - 2011: $105,814

**Total revenue**

- 2012: $49,290,787
- 2011: $53,010,372

### Expenses

- **Membership services and events**
  - 2012: $2,301,857
  - 2011: $2,214,882
- **Administration expenses**
  - 2012: $5,555,197
  - 2011: $5,254,373
- **Employee benefit expense**
  - 2012: $10,053,865
  - 2011: $9,576,238
- **Council and committee costs**
  - 2012: $367,671
  - 2011: $383,366
- **Depreciation**
  - 2012: $1,011,831
  - 2011: $934,445
- **Law council capitation fees**
  - 2012: $3,520,723
  - 2011: $3,086,789
- **Stamp duty**
  - 2012: $1,307,536
  - 2011: $1,250,000
- **Insurance claims**
  - 2012: $20,555,167
  - 2011: $22,525,326
- **Insurance recoveries**
  - 2012: $2,697,835
  - 2011: $(2,953,727)
- **Claims handling expense**
  - 2012: $(139,000)
  - 2011: $(303,000)
- **Brokerage fees**
  - 2012: $160,000
  - 2011: $160,000

**Total expenses**

- 2012: $48,327,127
- 2011: $43,009,969

### Operating surplus before income tax

- 2012: $963,660
- 2011: $10,000,403

### Income tax expense (credit)

- 2012: $(639,196)
- 2011: $886,718

### Operating surplus after income tax

- 2012: $1,602,856
- 2011: $9,113,685

### Other comprehensive income, net of tax

- 2012: $399,864
- 2011: $(105,756)

**Total comprehensive income**

- 2012: $2,002,720
- 2011: $9,007,929

The accompanying notes form part of these statements.
## Queensland Law Society Incorporated

### Statement of financial position as at 30 June 2012

<table>
<thead>
<tr>
<th>Current assets</th>
<th>Consolidated</th>
<th>Parent entity</th>
<th>2012</th>
<th>2011</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NOTE</td>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>20(a)</td>
<td></td>
<td>59,655,211</td>
<td>45,364,288</td>
<td>20,442,838</td>
<td>16,630,621</td>
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<tr>
<td>Receivables</td>
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<td>5,154,169</td>
<td>4,240,308</td>
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<tr>
<td>Income tax recoverable</td>
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<td></td>
<td>34,179</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Insurance contract liabilities ceded</td>
<td>11</td>
<td></td>
<td>2,988,000</td>
<td>4,326,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
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<td></td>
<td>67,831,559</td>
<td>53,930,596</td>
<td>21,699,012</td>
<td>17,793,150</td>
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</table>

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Investment in Lexon Insurance Pte Ltd</td>
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<td>-</td>
<td>-</td>
<td>19,000,000</td>
<td>19,000,000</td>
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<tr>
<td>Financial assets, fair value through profit or loss</td>
<td>5(b)</td>
<td></td>
<td>110,749,948</td>
<td>107,369,886</td>
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<td>Property, plant and equipment</td>
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<td></td>
<td>26,761,939</td>
<td>26,093,846</td>
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<td>Deferred income tax asset</td>
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<td>5,128,211</td>
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<td>Insurance contract liabilities ceded</td>
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<td><strong>Total non-current assets</strong></td>
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<td>152,203,065</td>
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<td>45,035,811</td>
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<table>
<thead>
<tr>
<th>Current liabilities</th>
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<tr>
<td>Payables</td>
<td>13</td>
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<td>Accrued employee benefits</td>
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<td>Provision for outstanding claims</td>
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<td><strong>Total current liabilities</strong></td>
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<tr>
<th>Non-current liabilities</th>
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<tbody>
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<td>Provisions</td>
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<td>708,826</td>
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<td>Deferred income tax liability</td>
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<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td></td>
<td>58,508,109</td>
<td>56,436,138</td>
<td>728,123</td>
<td>663,796</td>
</tr>
</tbody>
</table>

| **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 |

<table>
<thead>
<tr>
<th><strong>EQUITY</strong></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained surplus</td>
<td>15</td>
<td></td>
<td>81,156,966</td>
<td>79,554,111</td>
<td>34,893,257</td>
<td>34,171,482</td>
</tr>
<tr>
<td>Revaluation surplus</td>
<td>15</td>
<td></td>
<td>15,879,523</td>
<td>15,479,659</td>
<td>15,879,523</td>
<td>15,479,659</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td></td>
<td>97,036,489</td>
<td>95,033,770</td>
<td>50,772,780</td>
<td>49,651,141</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.
## Statement of changes in equity for the year ended 30 June 2012

### Parent entity

<table>
<thead>
<tr>
<th>NOTE</th>
<th>Revaluation surplus</th>
<th>Retained surplus</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Opening balance – 1 July 2010</strong></td>
<td>15,585,415</td>
<td>33,013,313</td>
<td>48,598,728</td>
</tr>
<tr>
<td>Operating surplus for the period</td>
<td>-</td>
<td>1,158,170</td>
<td>1,158,170</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(105,756)</td>
<td>-</td>
<td>(105,756)</td>
</tr>
<tr>
<td><strong>Closing balance – 30 June 2011</strong></td>
<td>15</td>
<td>15,479,659</td>
<td>34,171,483</td>
</tr>
<tr>
<td>Operating surplus for the period</td>
<td>-</td>
<td>721,776</td>
<td>721,776</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>399,864</td>
<td>-</td>
<td>399,864</td>
</tr>
<tr>
<td><strong>Closing balance – 30 June 2012</strong></td>
<td>15</td>
<td>15,879,523</td>
<td>34,893,257</td>
</tr>
</tbody>
</table>

### Consolidated

<table>
<thead>
<tr>
<th>NOTE</th>
<th>Asset revaluation reserve</th>
<th>Retained surplus</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Opening balance – 1 July 2010</strong></td>
<td>15,585,415</td>
<td>70,440,426</td>
<td>86,025,841</td>
</tr>
<tr>
<td>Operating surplus for the period</td>
<td>-</td>
<td>9,113,685</td>
<td>9,113,685</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(105,756)</td>
<td>-</td>
<td>(105,756)</td>
</tr>
<tr>
<td><strong>Closing balance – 30 June 2011</strong></td>
<td>15</td>
<td>15,479,659</td>
<td>79,554,111</td>
</tr>
<tr>
<td>Operating surplus for the period</td>
<td>-</td>
<td>1,602,856</td>
<td>1,602,856</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>399,864</td>
<td>-</td>
<td>399,864</td>
</tr>
<tr>
<td><strong>Closing balance – 30 June 2012</strong></td>
<td>15</td>
<td>15,879,523</td>
<td>81,156,967</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.
**Queensland Law Society Incorporated**

**Statement of cash flows**
for the year ended 30 June 2012

<table>
<thead>
<tr>
<th>NOTE</th>
<th>Consolidated 2012</th>
<th>2011</th>
<th>Parent entity 2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from the profession</td>
<td>53,006,366</td>
<td>43,262,711</td>
<td>16,878,360</td>
<td>14,696,394</td>
</tr>
<tr>
<td>Receipts from Department of Justice</td>
<td>2,602,231</td>
<td>2,584,153</td>
<td>2,602,231</td>
<td>2,584,153</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(21,412,511)</td>
<td>(21,172,118)</td>
<td>(15,492,773)</td>
<td>(15,319,071)</td>
</tr>
<tr>
<td>Receipts collected for Society entities</td>
<td>-</td>
<td>-</td>
<td>33,058,868</td>
<td>29,073,106</td>
</tr>
<tr>
<td>Payments to Society entities</td>
<td>-</td>
<td>-</td>
<td>(29,679,730)</td>
<td>(26,003,206)</td>
</tr>
<tr>
<td>Receipts collected for Legal Practitioners’ Fidelity Guarantee Fund</td>
<td>3,441,104</td>
<td>2,822,575</td>
<td>3,441,104</td>
<td>2,822,575</td>
</tr>
<tr>
<td>Payments to Legal Practitioners’ Fidelity Guarantee Fund</td>
<td>(3,441,104)</td>
<td>(3,441,104)</td>
<td>(2,822,575)</td>
<td>(2,822,575)</td>
</tr>
<tr>
<td>Reinsurance recoveries</td>
<td>85,532</td>
<td>355,107</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reinsurance payments</td>
<td>(3,520,723)</td>
<td>(3,086,789)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Claims and claims related payments</td>
<td>(17,604,287)</td>
<td>(21,321,157)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest received</td>
<td>1,903,043</td>
<td>1,524,674</td>
<td>822,368</td>
<td>629,799</td>
</tr>
<tr>
<td>GST refunded from ATO</td>
<td>1,740,705</td>
<td>1,409,049</td>
<td>711,204</td>
<td>682,628</td>
</tr>
<tr>
<td>GST paid to ATO</td>
<td>(4,200,482)</td>
<td>(3,755,400)</td>
<td>(4,200,482)</td>
<td>(3,755,400)</td>
</tr>
<tr>
<td>Income tax refund/(paid)</td>
<td>22</td>
<td>27,231</td>
<td>(838,731)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) operating activities</strong></td>
<td><strong>12,627,105</strong></td>
<td><strong>1,038,501</strong></td>
<td><strong>4,700,046</strong></td>
<td><strong>2,588,403</strong></td>
</tr>
</tbody>
</table>

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) |
| **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 | 36,814,288 | 44,565,043 | 10,080,621 | 14,620,329 |

Cash at the end of the period | 35,605,211 | 36,814,288 | 10,892,838 | 10,080,621 |

The accompanying notes form part of these statements.
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.
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.
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.
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.

ii. 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:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strata title building</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>4% – 33%</td>
<td>4% – 33%</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>33% – 100%</td>
<td>33% – 100%</td>
</tr>
</tbody>
</table>
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.
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.
Queensland Law Society Incorporated

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 Amendments 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.
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:
  
<table>
<thead>
<tr>
<th>Development year</th>
<th>Yr2</th>
<th>Yr3</th>
<th>Yr4</th>
<th>Yr5</th>
<th>Yr6</th>
<th>Yr7</th>
<th>Yr8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development factor</td>
<td>26%</td>
<td>12%</td>
<td>9%</td>
<td>6.8%</td>
<td>4.8%</td>
<td>3.7%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

- 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’).
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.
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.
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.

<table>
<thead>
<tr>
<th>Claims development history</th>
</tr>
</thead>
<tbody>
<tr>
<td>In A$</td>
</tr>
<tr>
<td>Underwriting year</td>
</tr>
<tr>
<td>2006/07</td>
</tr>
<tr>
<td>2007/08</td>
</tr>
<tr>
<td>2008/09</td>
</tr>
<tr>
<td>2009/10</td>
</tr>
<tr>
<td>2010/11</td>
</tr>
<tr>
<td>2011/12</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Gross

Estimate of ultimate claims

Costs:

- at end of reporting year  
  - at end of reporting year: 22,378 21,278 27,820 21,695 25,310 18,688
- one year later  
  - one year later: 23,028 16,045 32,056 15,572 24,476
- two years later  
  - two years later: 21,684 13,811 31,274 16,675
- three years later  
  - three years later: 18,766 15,722 28,895
- four years later  
  - four years later: 18,261 16,012
- five years later  
  - five years later: 17,804

Cumulative payments to date

- at end of reporting year: (14,844) (9,506) (22,676) (5,500) (6,071) (753)
- one year later: 2,960 6,506 6,219 11,175 18,405 17,935
- two years later: (156) (358) (343) (652) (1,199) (1,392)
- three years later: 2,804 6,148 5,876 10,523 17,206 16,543
- four years later: 63,200
- five years later: 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
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)

<table>
<thead>
<tr>
<th>In A$</th>
<th>$'000</th>
<th>$'000</th>
<th>$'000</th>
<th>$'000</th>
<th>$'000</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>2007/08</td>
<td>2008/09</td>
<td>2009/10</td>
<td>2010/11</td>
<td>2011/12</td>
<td>Total</td>
</tr>
<tr>
<td>Costs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– at end of reporting year</td>
<td>18,000</td>
<td>18,000</td>
<td>18,000</td>
<td>21,695</td>
<td>22,500</td>
<td>18,688</td>
</tr>
<tr>
<td>– one year later</td>
<td>18,000</td>
<td>16,045</td>
<td>18,000</td>
<td>15,572</td>
<td>22,500</td>
<td></td>
</tr>
<tr>
<td>– two years later</td>
<td>18,000</td>
<td>13,811</td>
<td>18,000</td>
<td>16,675</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– three years later</td>
<td>18,000</td>
<td>15,722</td>
<td>18,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– four years later</td>
<td>18,000</td>
<td>16,012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– five years later</td>
<td>17,804</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative payments to date</td>
<td>(14,844)</td>
<td>(9,506)</td>
<td>(22,676)</td>
<td>(5,501)</td>
<td>(6,071)</td>
<td>(753)</td>
</tr>
<tr>
<td>Estimate of claims reserve</td>
<td>2,960</td>
<td>6,506</td>
<td></td>
<td>11,175</td>
<td>16,429</td>
<td>17,935</td>
</tr>
<tr>
<td>Effect of discounting</td>
<td>(156)</td>
<td>(358)</td>
<td></td>
<td>(652)</td>
<td>(821)</td>
<td>(1,392)</td>
</tr>
<tr>
<td>Best estimate of claims liability</td>
<td>2,804</td>
<td>6,148</td>
<td></td>
<td>10,523</td>
<td>15,608</td>
<td>16,543</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>51,626</td>
</tr>
</tbody>
</table>

Liability in respect of years prior to 2006/07
Risk margin
Provisions for claims handling
Total outstanding claims included in the balance sheet

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.
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.
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.
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:

<table>
<thead>
<tr>
<th>Investment grade (AAA to BBB)</th>
<th>Not rated</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A$</td>
<td>A$</td>
<td>A$</td>
</tr>
<tr>
<td>-------</td>
<td>-----------</td>
<td>-------</td>
</tr>
</tbody>
</table>

**At 30 June 2012**

<table>
<thead>
<tr>
<th>Cash and cash equivalents</th>
<th>59,653,377</th>
<th>1,834</th>
<th>59,655,211</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance contract liabilities ceded</td>
<td>8,919,000</td>
<td>-</td>
<td>8,919,000</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3,200,298</td>
<td>1,953,871</td>
<td>5,154,169</td>
</tr>
<tr>
<td>Financial assets</td>
<td>-</td>
<td>110,749,948</td>
<td>110,749,948</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71,772,675</strong></td>
<td><strong>112,705,653</strong></td>
<td><strong>184,478,328</strong></td>
</tr>
</tbody>
</table>

**At 30 June 2011**

<table>
<thead>
<tr>
<th>Cash and cash equivalents</th>
<th>45,362,454</th>
<th>1,834</th>
<th>45,364,288</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance contract liabilities ceded</td>
<td>17,713,000</td>
<td>-</td>
<td>17,713,000</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>166,911</td>
<td>4,073,397</td>
<td>4,240,308</td>
</tr>
<tr>
<td>Financial assets</td>
<td>-</td>
<td>107,369,886</td>
<td>107,369,886</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>63,242,365</strong></td>
<td><strong>111,445,117</strong></td>
<td><strong>174,687,482</strong></td>
</tr>
</tbody>
</table>

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.
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.
5. Investments

a. Investment income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributions from financial assets, fair value through profit or loss (net of fees)</td>
<td>5,099,220</td>
<td>7,561,544</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>2,032,107</td>
<td>1,531,938</td>
<td>807,451</td>
<td>642,933</td>
</tr>
<tr>
<td></td>
<td>7,131,327</td>
<td>9,093,482</td>
<td>807,451</td>
<td>642,933</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>107,369,886</td>
<td>102,879,243</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>5,680,000</td>
<td>6,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions via reinvestment</td>
<td>4,641,610</td>
<td>6,780,971</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposals proceeds</td>
<td>(5,790,577)</td>
<td>(7,798,678)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain/loss on disposal</td>
<td>(1,156,024)</td>
<td>49,349</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fair value movements</td>
<td>5,053</td>
<td>(540,999)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td><strong>110,749,948</strong></td>
<td><strong>107,369,886</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Practising certificate fees</td>
<td>4,480,373</td>
<td>4,148,875</td>
<td>4,480,373</td>
<td>4,148,875</td>
</tr>
<tr>
<td>Member fees</td>
<td>3,486,940</td>
<td>3,274,842</td>
<td>3,486,940</td>
<td>3,274,842</td>
</tr>
<tr>
<td>PSC capping fee</td>
<td>410,830</td>
<td>331,590</td>
<td>410,830</td>
<td>331,590</td>
</tr>
<tr>
<td>Certificate of fitness</td>
<td>17,700</td>
<td>18,391</td>
<td>17,700</td>
<td>18,391</td>
</tr>
<tr>
<td>Late application levy</td>
<td>23,850</td>
<td>9,450</td>
<td>23,850</td>
<td>9,450</td>
</tr>
<tr>
<td>Corporate marketing levy</td>
<td>327,240</td>
<td>320,144</td>
<td>327,240</td>
<td>320,144</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,746,933</strong></td>
<td><strong>8,103,292</strong></td>
<td><strong>8,746,933</strong></td>
<td><strong>8,103,292</strong></td>
</tr>
</tbody>
</table>
## 7. Rent and administration revenue

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Management fees</td>
<td>-</td>
<td>6,028</td>
</tr>
<tr>
<td>Law Claims Levy Fund</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Legal Practitioners’ Fidelity Guarantee Fund</td>
<td>48,000</td>
<td>48,000</td>
</tr>
<tr>
<td>Legal Practitioners Admissions Board</td>
<td>313,821</td>
<td>264,744</td>
</tr>
<tr>
<td>Body corporate administration fee</td>
<td>15,000</td>
<td>37,000</td>
</tr>
<tr>
<td>Rent</td>
<td>275,583</td>
<td>393,611</td>
</tr>
<tr>
<td>Car parking</td>
<td>63,907</td>
<td>96,043</td>
</tr>
<tr>
<td></td>
<td>716,311</td>
<td>845,426</td>
</tr>
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</table>

## 8. Membership services and events

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Practice management course</td>
<td>455,090</td>
<td>379,300</td>
</tr>
<tr>
<td>Publications</td>
<td>29,196</td>
<td>47,998</td>
</tr>
<tr>
<td>QLS diary</td>
<td>138,742</td>
<td>190,234</td>
</tr>
<tr>
<td>Seminars</td>
<td>1,956,135</td>
<td>2,041,444</td>
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<tr>
<td>College of Law commission</td>
<td>-</td>
<td>106,463</td>
</tr>
<tr>
<td>Specialist accreditation</td>
<td>229,172</td>
<td>151,819</td>
</tr>
<tr>
<td>Resources, texts and course material</td>
<td>484,356</td>
<td>459,327</td>
</tr>
<tr>
<td>School and student services</td>
<td>-</td>
<td>24,160</td>
</tr>
<tr>
<td>Events and functions</td>
<td>42,295</td>
<td>44,053</td>
</tr>
<tr>
<td>Proctor advertising and subscription</td>
<td>363,912</td>
<td>418,817</td>
</tr>
<tr>
<td>Marketing and sponsorship</td>
<td>321,308</td>
<td>280,498</td>
</tr>
<tr>
<td></td>
<td>4,020,206</td>
<td>4,144,113</td>
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</table>

### Direct expenditure (exclude staff costs)

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Practice management course</td>
<td>25,974</td>
<td>54,192</td>
</tr>
<tr>
<td>QLS diary</td>
<td>81,563</td>
<td>111,445</td>
</tr>
<tr>
<td>Seminars</td>
<td>1,097,110</td>
<td>1,028,764</td>
</tr>
<tr>
<td>Specialist accreditation</td>
<td>28,726</td>
<td>9,227</td>
</tr>
<tr>
<td>Resources, texts and course material</td>
<td>181,517</td>
<td>225,931</td>
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<tr>
<td>School and student services</td>
<td>14,816</td>
<td>10,058</td>
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<tr>
<td>Events and functions</td>
<td>154,067</td>
<td>83,095</td>
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<tr>
<td>Membership product and services</td>
<td>351,540</td>
<td>357,105</td>
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<tr>
<td>Proctor expenses</td>
<td>311,140</td>
<td>329,487</td>
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<tr>
<td>Marketing and sponsorship</td>
<td>55,404</td>
<td>5,578</td>
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<tr>
<td></td>
<td>2,301,857</td>
<td>2,214,882</td>
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</table>
## 9. Administration expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>24,423</td>
<td>16,096</td>
<td>24,423</td>
<td>16,096</td>
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<tr>
<td>Actuarial fees</td>
<td>166,509</td>
<td>93,696</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Audit fees</td>
<td>166,306</td>
<td>138,293</td>
<td>91,350</td>
<td>72,652</td>
</tr>
<tr>
<td>Bad debts</td>
<td>-</td>
<td>153</td>
<td>-</td>
<td>153</td>
</tr>
<tr>
<td>Body corporate levies</td>
<td>178,497</td>
<td>243,380</td>
<td>243,497</td>
<td>243,380</td>
</tr>
<tr>
<td>Captive managers fee</td>
<td>85,000</td>
<td>85,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Catering, functions and entertainment</td>
<td>84,469</td>
<td>59,309</td>
<td>68,366</td>
<td>46,882</td>
</tr>
<tr>
<td>Complaints investigations</td>
<td>3,262</td>
<td>9,205</td>
<td>3,262</td>
<td>9,205</td>
</tr>
<tr>
<td>Directors’ fees</td>
<td>334,727</td>
<td>309,797</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Electricity</td>
<td>61,166</td>
<td>44,308</td>
<td>59,325</td>
<td>44,308</td>
</tr>
<tr>
<td>Fringe benefits tax</td>
<td>90,395</td>
<td>95,443</td>
<td>61,354</td>
<td>64,698</td>
</tr>
<tr>
<td>Fees and charges</td>
<td>151,154</td>
<td>128,124</td>
<td>138,853</td>
<td>114,641</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>(3,002)</td>
<td>25,729</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Insurance</td>
<td>307,285</td>
<td>285,792</td>
<td>176,194</td>
<td>174,942</td>
</tr>
<tr>
<td>Information technology and related costs</td>
<td>214,590</td>
<td>302,719</td>
<td>195,098</td>
<td>302,719</td>
</tr>
<tr>
<td>Interest expense</td>
<td>64,159</td>
<td>(63,574)</td>
<td>61,354</td>
<td>64,698</td>
</tr>
<tr>
<td>Investment managers fees</td>
<td>145,542</td>
<td>145,772</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>LAWASIA</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Lease payments</td>
<td>176,284</td>
<td>189,382</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Liability capping scheme</td>
<td>183,530</td>
<td>236,100</td>
<td>183,530</td>
<td>236,100</td>
</tr>
<tr>
<td>Motor vehicle expenses</td>
<td>8,459</td>
<td>9,863</td>
<td>8,459</td>
<td>9,863</td>
</tr>
<tr>
<td>Offsite storage</td>
<td>45,928</td>
<td>45,185</td>
<td>42,953</td>
<td>45,185</td>
</tr>
<tr>
<td>Payroll tax</td>
<td>484,727</td>
<td>461,198</td>
<td>382,542</td>
<td>363,236</td>
</tr>
<tr>
<td>Postage and couriers</td>
<td>121,385</td>
<td>78,023</td>
<td>113,410</td>
<td>72,474</td>
</tr>
<tr>
<td>Presentations, donations and gifts</td>
<td>56,243</td>
<td>48,954</td>
<td>54,139</td>
<td>48,954</td>
</tr>
<tr>
<td>Provision for doubtful debts</td>
<td>(122,198)</td>
<td>171,711</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>129,562</td>
<td>135,569</td>
<td>86,047</td>
<td>104,181</td>
</tr>
<tr>
<td>Professional and consulting fees</td>
<td>942,579</td>
<td>709,618</td>
<td>372,981</td>
<td>273,358</td>
</tr>
<tr>
<td>Rates and taxes</td>
<td>217,666</td>
<td>120,149</td>
<td>217,686</td>
<td>120,149</td>
</tr>
<tr>
<td>Registrations and subscriptions</td>
<td>85,286</td>
<td>57,004</td>
<td>49,654</td>
<td>39,433</td>
</tr>
<tr>
<td>Regulatory audits</td>
<td>45,693</td>
<td>62,173</td>
<td>45,693</td>
<td>62,173</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>255,266</td>
<td>224,422</td>
<td>248,571</td>
<td>224,422</td>
</tr>
<tr>
<td>Secretarial fees</td>
<td>31,241</td>
<td>21,009</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Staff – other costs</td>
<td>23,933</td>
<td>30,326</td>
<td>23,933</td>
<td>25,081</td>
</tr>
<tr>
<td>Staff amenities</td>
<td>34,414</td>
<td>28,495</td>
<td>27,029</td>
<td>22,831</td>
</tr>
<tr>
<td>Staff training</td>
<td>135,517</td>
<td>152,428</td>
<td>100,363</td>
<td>123,173</td>
</tr>
<tr>
<td>Sundry expenses</td>
<td>58,633</td>
<td>28,443</td>
<td>54,066</td>
<td>21,601</td>
</tr>
<tr>
<td>Tax consulting</td>
<td>109,806</td>
<td>28,901</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Telephone</td>
<td>89,025</td>
<td>95,052</td>
<td>62,050</td>
<td>68,357</td>
</tr>
<tr>
<td>Travelling expenses</td>
<td>268,356</td>
<td>301,126</td>
<td>79,233</td>
<td>88,758</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Consolidated Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 2011 2012 2011</td>
</tr>
<tr>
<td>$ $ $ $</td>
</tr>
<tr>
<td>Travel and accommodation</td>
</tr>
<tr>
<td>Honorarium</td>
</tr>
<tr>
<td>Convocation</td>
</tr>
<tr>
<td>Catering and functions</td>
</tr>
<tr>
<td><strong>367,671</strong></td>
</tr>
</tbody>
</table>

11. Provision for outstanding claims

<table>
<thead>
<tr>
<th>Consolidated Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 2011 2012 2011</td>
</tr>
<tr>
<td>$ $ $ $</td>
</tr>
<tr>
<td>Opening gross outstanding claims</td>
</tr>
<tr>
<td>Claims incurred</td>
</tr>
<tr>
<td>Claims paid during the year</td>
</tr>
<tr>
<td>Movement in claims handling provision</td>
</tr>
<tr>
<td>Closing gross outstanding claims</td>
</tr>
<tr>
<td>Opening reinsurance recoveries</td>
</tr>
<tr>
<td>Movement in reinsurance recoveries</td>
</tr>
<tr>
<td>Reinsurance receivable</td>
</tr>
<tr>
<td>Closing reinsurance recoveries</td>
</tr>
<tr>
<td>Net outstanding claims</td>
</tr>
<tr>
<td>Law Claims Levy Fund</td>
</tr>
<tr>
<td>Lexon Insurance Pte Ltd</td>
</tr>
<tr>
<td><strong>66,323,727</strong></td>
</tr>
</tbody>
</table>

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.
11. Provision for outstanding claims (continued)

Net discounted maturity analysis

<table>
<thead>
<tr>
<th></th>
<th>2012 Less than 1 year</th>
<th>1 to 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross central estimate</td>
<td>17,548,000</td>
<td>37,304,000</td>
<td>7,504,727</td>
<td>62,356,727</td>
</tr>
<tr>
<td>Reinsurance recoveries</td>
<td>(2,988,000)</td>
<td>(3,760,000)</td>
<td>(2,171,000)</td>
<td>(8,919,000)</td>
</tr>
<tr>
<td>Net central estimate</td>
<td>14,560,000</td>
<td>33,544,000</td>
<td>5,333,727</td>
<td>53,437,727</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011 Less than 1 year</th>
<th>1 to 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross central estimate</td>
<td>19,050,000</td>
<td>38,540,000</td>
<td>7,150,000</td>
<td>64,740,000</td>
</tr>
<tr>
<td>Reinsurance recoveries</td>
<td>(4,326,000)</td>
<td>(9,491,000)</td>
<td>(3,896,000)</td>
<td>(17,713,000)</td>
</tr>
<tr>
<td>Net central estimate</td>
<td>14,724,000</td>
<td>29,049,000</td>
<td>3,254,000</td>
<td>47,027,000</td>
</tr>
</tbody>
</table>

Risk margins
Claims handling

Net claims outstanding

12. Receivables

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Accounts receivables</td>
<td>$1,063,246</td>
<td>$1,190,297</td>
</tr>
<tr>
<td>Reinsurance recoverable</td>
<td>$3,200,298</td>
<td>$166,911</td>
</tr>
<tr>
<td>Less: provision for impairment</td>
<td>$361,441</td>
<td>$(483,639)</td>
</tr>
<tr>
<td></td>
<td>$3,902,103</td>
<td>$873,569</td>
</tr>
<tr>
<td>Prepaid expenses and other receivables</td>
<td>$1,252,066</td>
<td>$3,366,739</td>
</tr>
<tr>
<td></td>
<td>$5,154,169</td>
<td>$4,240,308</td>
</tr>
</tbody>
</table>

13. Payables

<table>
<thead>
<tr>
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<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Creditors</td>
<td>$229,417</td>
<td>$139,173</td>
</tr>
<tr>
<td>Income in advance</td>
<td>$36,425,387</td>
<td>$29,181,157</td>
</tr>
<tr>
<td>Other payments and accruals</td>
<td>$5,984,317</td>
<td>$4,927,150</td>
</tr>
<tr>
<td></td>
<td>$42,639,121</td>
<td>$34,247,480</td>
</tr>
</tbody>
</table>

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.
### 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
- **Depreciation**: (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

#### 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
- **Depreciation**: (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
### 14. Property plant and equipment (continued)

<table>
<thead>
<tr>
<th></th>
<th>Strata title building</th>
<th>Plant and equipment</th>
<th>Computer equipment</th>
<th>Software</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010/11</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost or valuation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At the beginning of the year</td>
<td>23,767,189</td>
<td>4,319,017</td>
<td>601,096</td>
<td></td>
<td>28,687,302</td>
</tr>
<tr>
<td>Additions</td>
<td>126,840</td>
<td>51,758</td>
<td>46,651</td>
<td>401,485</td>
<td>626,734</td>
</tr>
<tr>
<td>Revaluations/other</td>
<td>(111,322)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(111,322)</td>
</tr>
<tr>
<td><strong>At the end of the year</strong></td>
<td>23,782,707</td>
<td>4,370,775</td>
<td>647,747</td>
<td>401,485</td>
<td>29,202,714</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At the beginning of the year</td>
<td>(561,679)</td>
<td>(1,139,294)</td>
<td>(475,231)</td>
<td>-</td>
<td>(2,176,204)</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>(590,831)</td>
<td>(317,380)</td>
<td>(30,018)</td>
<td>-</td>
<td>(938,229)</td>
</tr>
<tr>
<td>Revaluations/other</td>
<td>5,565</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,565</td>
</tr>
<tr>
<td><strong>At the end of the year</strong></td>
<td>(1,146,945)</td>
<td>(1,456,674)</td>
<td>(505,249)</td>
<td>-</td>
<td>(3,108,868)</td>
</tr>
<tr>
<td><strong>Net book value at 30 June 2011</strong></td>
<td>22,635,762</td>
<td>2,914,101</td>
<td>142,498</td>
<td>401,485</td>
<td>26,093,846</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Strata title building</th>
<th>Plant and equipment</th>
<th>Computer equipment</th>
<th>Software</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2011/12</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost or valuation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At the beginning of the year</td>
<td>23,782,707</td>
<td>4,370,775</td>
<td>647,747</td>
<td>401,485</td>
<td>29,202,714</td>
</tr>
<tr>
<td>Additions</td>
<td>16,138</td>
<td>32,022</td>
<td>5,276</td>
<td>1,226,624</td>
<td>1,280,060</td>
</tr>
<tr>
<td>Revaluations/other</td>
<td>420,907</td>
<td>-</td>
<td>-</td>
<td>0</td>
<td>420,907</td>
</tr>
<tr>
<td><strong>At the end of the year</strong></td>
<td>24,219,752</td>
<td>4,402,797</td>
<td>653,023</td>
<td>1,628,109</td>
<td>30,903,681</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At the beginning of the year</td>
<td>(1,146,945)</td>
<td>(1,456,674)</td>
<td>(505,249)</td>
<td>-</td>
<td>(3,108,868)</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>(588,150)</td>
<td>(313,860)</td>
<td>(50,189)</td>
<td>(59,632)</td>
<td>(1,011,831)</td>
</tr>
<tr>
<td>Revaluations/other</td>
<td>(21,043)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(21,043)</td>
</tr>
<tr>
<td><strong>At the end of the year</strong></td>
<td>(1,756,138)</td>
<td>(1,770,534)</td>
<td>(555,438)</td>
<td>(59,632)</td>
<td>(4,141,742)</td>
</tr>
<tr>
<td><strong>Net book value at 30 June 2012</strong></td>
<td>22,463,614</td>
<td>2,632,263</td>
<td>97,585</td>
<td>1,568,477</td>
<td>26,761,939</td>
</tr>
</tbody>
</table>

Property, plant and equipment is stated as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>At valuation</th>
<th>At cost</th>
<th>Depreciation</th>
<th>Net book value at 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>30 June 2011</strong></td>
<td>22,408,643</td>
<td>1,374,064 4,370,775 647,747 401,485</td>
<td>(1,146,945) (1,456,674) (505,249) -</td>
<td>22,408,643</td>
</tr>
<tr>
<td><strong>2011/12</strong></td>
<td>23,782,707</td>
<td>1,390,202 4,402,797 653,023 1,228,109 401,485</td>
<td>(3,108,868)</td>
<td>29,202,714</td>
</tr>
<tr>
<td><strong>30 June 2012</strong></td>
<td>22,829,550</td>
<td>1,390,202 4,402,797 653,023 1,228,109 401,485</td>
<td>(1,756,138) (1,770,534) (555,438) (59,632)</td>
<td>22,463,614</td>
</tr>
</tbody>
</table>

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.
15. Reserves

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revaluation surplus</td>
<td>15,879,523</td>
<td>15,479,659</td>
</tr>
<tr>
<td>Retained surplus</td>
<td>81,156,965</td>
<td>79,554,111</td>
</tr>
<tr>
<td>Closing balance at end of year</td>
<td>97,036,488</td>
<td>95,033,770</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual leave – opening balance</td>
<td>704,055</td>
<td>688,551</td>
</tr>
<tr>
<td>Leave taken</td>
<td>(708,203)</td>
<td>(658,821)</td>
</tr>
<tr>
<td>Leave accrued</td>
<td>675,086</td>
<td>674,325</td>
</tr>
<tr>
<td>Annual leave – closing balance</td>
<td>670,938</td>
<td>704,055</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for long service leave</td>
<td>708,826</td>
<td>647,806</td>
</tr>
<tr>
<td>Leave taken</td>
<td>(51,668)</td>
<td>(55,251)</td>
</tr>
<tr>
<td>Leave accrued</td>
<td>156,224</td>
<td>116,271</td>
</tr>
<tr>
<td>Long service leave – closing balance</td>
<td>813,382</td>
<td>708,826</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>331,643</td>
<td>181,361</td>
</tr>
<tr>
<td>One to five years</td>
<td>1,103,959</td>
<td>717,422</td>
</tr>
<tr>
<td></td>
<td>1,435,602</td>
<td>898,783</td>
</tr>
</tbody>
</table>

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).
### 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.

<table>
<thead>
<tr>
<th>Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management fees paid by Lexon Insurance Pte Ltd to parent entity</td>
<td>310,000</td>
<td>285,000</td>
</tr>
<tr>
<td>Management fees paid by Law Claims Levy Fund to parent entity</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Directors fees paid by Lexon Insurance Pte Ltd to parent entity</td>
<td>49,860</td>
<td>74,790</td>
</tr>
<tr>
<td>Gross premiums received by Lexon Insurance Pte Ltd from Law Claims Levy Fund</td>
<td>26,250,000</td>
<td>25,000,000</td>
</tr>
</tbody>
</table>

**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, -
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.

<table>
<thead>
<tr>
<th>Position</th>
<th>Person</th>
<th>Appointment date</th>
<th>Resignation date</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Peter Eardley</td>
<td>1/1/2010</td>
<td>31/12/2010</td>
</tr>
<tr>
<td></td>
<td>Bruce Doyle</td>
<td>1/1/2011</td>
<td>31/12/2011</td>
</tr>
<tr>
<td></td>
<td>John de Groot</td>
<td>1/1/2012</td>
<td></td>
</tr>
<tr>
<td>Vice President</td>
<td>Raoul Guides</td>
<td>1/1/2010</td>
<td>31/12/2011</td>
</tr>
<tr>
<td></td>
<td>Ian Brown</td>
<td>1/1/2012</td>
<td></td>
</tr>
<tr>
<td>Deputy President</td>
<td>Bruce Doyle</td>
<td>1/1/2010</td>
<td>31/12/2010</td>
</tr>
<tr>
<td></td>
<td>Annette Bradfield</td>
<td>1/1/2012</td>
<td></td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>Position</th>
<th>Person</th>
<th>Appointment date</th>
<th>Resignation date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive</td>
<td>Noela L’Estrange</td>
<td>11/5/2009</td>
<td></td>
</tr>
<tr>
<td>Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
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

<table>
<thead>
<tr>
<th>Position</th>
<th>Short term employee benefits</th>
<th>Non-monetary benefits</th>
<th>Long term employee benefits</th>
<th>Post employment benefits</th>
<th>Bonuses</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>President (1 July 2011 – 31 December 2011)</td>
<td>109,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>109,000</td>
</tr>
<tr>
<td>President (1 January 2012 – 30 June 2012)</td>
<td>109,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>109,000</td>
</tr>
<tr>
<td>Vice President (1 July 2011 – 31 December 2011)</td>
<td>36,333</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,333</td>
</tr>
<tr>
<td>Deputy President (1 January 2012 – 30 June 2012)</td>
<td>33,333</td>
<td>-</td>
<td>3,000</td>
<td>-</td>
<td>-</td>
<td>36,333</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>325,994</td>
<td>10,840</td>
<td>5,123</td>
<td>29,413</td>
<td>10,000</td>
<td>381,370</td>
</tr>
</tbody>
</table>

1 July 2010 – 30 June 2011

<table>
<thead>
<tr>
<th>Position</th>
<th>Short term employee benefits</th>
<th>Non-monetary benefits</th>
<th>Long term employee benefits</th>
<th>Post employment benefits</th>
<th>Bonuses</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>President (1 July 2010 – 31 December 2010)</td>
<td>109,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>109,000</td>
</tr>
<tr>
<td>President (1 January 2011 – 30 June 2011)</td>
<td>109,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>109,000</td>
</tr>
<tr>
<td>Deputy President (1 July 2010 – 31 December 2010)</td>
<td>36,333</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,333</td>
</tr>
<tr>
<td>Vice President (1 January 2011 – 30 June 2011)</td>
<td>36,333</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,333</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>321,291</td>
<td>10,840</td>
<td>1,876</td>
<td>29,043</td>
<td>-</td>
<td>363,050</td>
</tr>
</tbody>
</table>
Queensland Law Society Incorporated

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:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>$3,042,348</td>
<td>$1,452,019</td>
<td>$269,880</td>
<td>$760,764</td>
</tr>
<tr>
<td>Cash deposit accounts</td>
<td>$32,562,863</td>
<td>$35,362,269</td>
<td>$10,622,958</td>
<td>$9,319,857</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>$35,605,211</td>
<td>$36,814,288</td>
<td>$10,892,838</td>
<td>$10,080,621</td>
</tr>
</tbody>
</table>

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

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

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

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:

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Profit/(loss) before tax</td>
<td>963,660</td>
<td>10,000,403</td>
</tr>
<tr>
<td>Tax calculated at a tax rate of 30% (2011: 30%)</td>
<td>289,098</td>
<td>3,000,121</td>
</tr>
</tbody>
</table>

Effects of:

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income not subject to tax</td>
<td>(774,867)</td>
<td>(1,931,104)</td>
</tr>
<tr>
<td>Tax free distributions on investments (Note 23)</td>
<td>-</td>
<td>20,521</td>
</tr>
<tr>
<td>Franking credits available</td>
<td>(153,427)</td>
<td>(205,446)</td>
</tr>
<tr>
<td>(Over)/under provision in preceding financial years</td>
<td>(639,196)</td>
<td>884,092</td>
</tr>
</tbody>
</table>

22. Current income tax liability

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th>Parent entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Income tax at the beginning of the financial year</td>
<td>662,218</td>
<td>836,105</td>
</tr>
<tr>
<td>Income tax refunded/(paid)</td>
<td>27,609</td>
<td>(838,731)</td>
</tr>
<tr>
<td>Prior year under/(over) provision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– current year income tax</td>
<td>-</td>
<td>662,218</td>
</tr>
<tr>
<td>– deferred tax asset</td>
<td>(724,006)</td>
<td>2,626</td>
</tr>
<tr>
<td>Income tax at the end of the financial year</td>
<td>(34,179)</td>
<td>662,218</td>
</tr>
</tbody>
</table>
23. Deferred income tax balances

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net balance at beginn</td>
<td>$5,213,021</td>
<td>$5,434,895</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current year tax</td>
<td>$639,196</td>
<td>$(221,874)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prior year tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current income tax</td>
<td>$(724,006)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net balance at end</td>
<td>$5,128,211</td>
<td>$5,213,021</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The balance comprises temporary differences attributable to:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning</td>
<td>$5,352,333</td>
<td>$5,553,686</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Charge to profit or</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims handling provision</td>
<td>$(6,623)</td>
<td>$(74,705)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other timing differences</td>
<td>$31,833</td>
<td>$(46,616)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income losses utilised</td>
<td>$(118,250)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital losses carried forward</td>
<td>-</td>
<td>$(4,470)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrealised investment losses</td>
<td>$(94,423)</td>
<td>$(125,575)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Allowance for impairment of receivables</td>
<td>$(36,659)</td>
<td>$50,013</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$5,128,211</td>
<td>$5,352,333</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Deferred tax liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning</td>
<td>$(139,312)</td>
<td>$(118,791)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Charge to income statement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax-free distribution on Investments</td>
<td>$139,312</td>
<td>$(20,521)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>$(139,312)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net balance at end</td>
<td>$5,128,211</td>
<td>$5,213,021</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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
Financial statements
Law Claims Levy Fund

Contents

90  Statement of comprehensive income for the year ended 30 June 2012

91  Statement of financial position as at 30 June 2012

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

92  Statement of cash flows for the year ended 30 June 2012

100 Declaration of Law Claims Levy Fund

101 Independent Auditor’s report
### Statement of comprehensive income for the year ended 30 June 2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance levies</td>
<td>27,914,432</td>
<td>29,019,706</td>
</tr>
<tr>
<td>Additional levies</td>
<td>-</td>
<td>57,500</td>
</tr>
<tr>
<td>Total levies</td>
<td>27,914,432</td>
<td>29,077,206</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>2,141,019</td>
<td>3,058,474</td>
</tr>
<tr>
<td>Realised gains (losses) on financial assets – fair value through profit or loss</td>
<td>(255,672)</td>
<td>40,443</td>
</tr>
<tr>
<td>Fair value gains (losses) on financial assets – fair value through profit or loss</td>
<td>(309,689)</td>
<td>(959,583)</td>
</tr>
<tr>
<td>Total other income</td>
<td>1,575,658</td>
<td>2,139,334</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>29,490,090</td>
<td>31,216,540</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration expenses</td>
<td>111,600</td>
<td>92,574</td>
</tr>
<tr>
<td>Audit fees</td>
<td>19,000</td>
<td>18,100</td>
</tr>
<tr>
<td>Insurance expenses</td>
<td>27,557,536</td>
<td>26,250,000</td>
</tr>
<tr>
<td>Insurance claims</td>
<td>(213,382)</td>
<td>(167,395)</td>
</tr>
<tr>
<td>Reinsurance recoveries</td>
<td>(85,532)</td>
<td>(355,107)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>27,389,222</td>
<td>25,838,172</td>
</tr>
<tr>
<td><strong>Operating surplus</strong></td>
<td>2,100,868</td>
<td>5,378,368</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>2,100,868</td>
<td>5,378,368</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.
### Statement of financial position
**as at 30 June 2012**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NOTES</strong></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>32,231,792</td>
<td>26,003,206</td>
</tr>
<tr>
<td>Receivables</td>
<td>124,281</td>
<td>294,879</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>32,356,073</strong></td>
<td><strong>26,298,085</strong></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets of fair value through profit or loss</td>
<td>31,914,893</td>
<td>31,192,670</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>31,914,893</strong></td>
<td><strong>31,192,670</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>64,270,966</strong></td>
<td><strong>57,490,755</strong></td>
</tr>
</tbody>
</table>

| **Current liabilities** |              |              |
| Income in advance       | 27,203,309   | 22,058,873   |
| Payables                | 33,672       | 64,765       |
| Provision for outstanding claims | 50,000 | 484,000 |
| **Total current liabilities** | **27,286,981** | **22,607,638** |

| **Net assets**           | **36,983,985** | **34,883,117** |

| **Equity**               |              |              |
| Retained surplus         | **36,983,985** | **34,883,117** |
| **Total equity**         | **36,983,985** | **34,883,117** |

The accompanying notes form part of these statements.
Queensland Law Society Incorporated
Law Claims Levy Fund

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Balance at 1 July</td>
<td>34,883,117</td>
<td>29,504,749</td>
</tr>
<tr>
<td>Operating surplus for the period</td>
<td>2,100,868</td>
<td>5,378,368</td>
</tr>
<tr>
<td>Balance at 30 June</td>
<td>36,983,985</td>
<td>34,883,117</td>
</tr>
</tbody>
</table>

Statement of cash flows
for the year ended 30 June 2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>NOTES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(outflows)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from the profession</td>
<td>33,058,868</td>
<td>25,871,417</td>
</tr>
<tr>
<td>Claim payments</td>
<td>(220,618)</td>
<td>(247,605)</td>
</tr>
<tr>
<td>Reinsurance recoveries</td>
<td>85,532</td>
<td>355,107</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(27,717,298)</td>
<td>(26,334,307)</td>
</tr>
<tr>
<td>Interest receipts</td>
<td>336,850</td>
<td>414,063</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) operating activities</strong></td>
<td>5,543,334</td>
<td>58,675</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from disposal of investments</td>
<td>1,475,747</td>
<td>106,909</td>
</tr>
<tr>
<td>Purchase of term deposits</td>
<td>(8,500,000)</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(1,460,000)</td>
<td>(3,500,000)</td>
</tr>
<tr>
<td>Cash distributions received</td>
<td>669,505</td>
<td>659,350</td>
</tr>
<tr>
<td>Transfer to QLS for purchase of Lexon shares</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash flows from investing activities</strong></td>
<td>(7,814,748)</td>
<td>(2,733,741)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash held</strong></td>
<td>(2,271,414)</td>
<td>(2,675,066)</td>
</tr>
<tr>
<td><strong>Cash at the beginning of the financial year</strong></td>
<td>24,003,206</td>
<td>26,678,272</td>
</tr>
<tr>
<td><strong>Cash at the end of the financial year</strong></td>
<td>21,731,792</td>
<td>24,003,206</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.
NOTES

Objectives and principal activities

The Queensland Law Society Incorporated (‘the Society’), pursuant to s232 of the Legal Profession Act 2007 (‘the Act’) is authorised to establish and maintain a fund for the purposes of providing insurance to the legal profession of Queensland.

The Law Claims Levy Fund (‘The Fund’) was created in 1987 to provide professional indemnity insurance to Queensland solicitors. The Fund is responsible for the management of professional indemnity claims of practitioners for the years 1987 to 1995, and the administration insurance matters (jointly with Lexon Insurance Pte Ltd) in accordance with the Queensland Law Society Indemnity Rule 2005.

1 Summary of significant accounting policies

a. Statement of compliance

The Fund has prepared these financial statements in compliance with s43 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 the Australian Accounting Standards and interpretations. In addition, the financial statements comply with the Treasurer’s Minimum Reporting Requirements for the year ending 30 June 2012 and other authoritative pronouncements.

Except where stated, the historical cost convention is used.

b. Revenue

Additional levies may be imposed in accordance with the indemnity rules and are accounted for separately and disclosed as income of the Fund. Investment revenue is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges.

c. Taxation

The Fund 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.

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.

d. 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. Short term deposits are an interest bearing account which is readily convertible to cash on hand at the Society’s option and is subject to a low risk of change in value. Investments are brought to account at fair value as indicated in Note 6(a).

e. Other receivables

Interest receivable represents interest earned on funds held up to a balance date which has not yet been received.

The Fund has brought to account solicitors’ deductibles and penalties receivable from practitioners. These receivables have been recognised on an accrual basis and are carried at actual amounts. The collectability of trade debtors is assessed at reporting date with provision being made for impairment. All known bad debts were written off as at 30 June.

f. Provision for outstanding claims

Claims are actuarially assessed and the movement in the actuarial assessment is disclosed in the Statement of comprehensive income as movement in outstanding claims. Actual claim payments are separately disclosed.
1 Summary of significant accounting policies (continued)

g. Financial assets, at 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 funds 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.

h. Income in advance

Income in advance relates to insurance levies collected from the profession in relation to the upcoming insurance year. (ie current year levies in advance relate to collections for the insurance year 1 July 2012 to 30 June 2013).

i. 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.

j. Employee benefits

The fund has no employees and as such no benefits outstanding.

k. Professional indemnity insurance

The Queensland Law Society Incorporated entered into a Master Policy agreement with Professional Indemnity Insurers to limit the maximum liability of the Fund for both individual claims and aggregate amounts. The Fund incurs all expenses up to a prescribed amount per individual claim until such time as the aggregate amount has been reached at which time the Professional Indemnity Insurers incur all future costs. The respective individual liability per claim is listed in Note 8.

l. Judgments and assumptions

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. The Fund has made no other judgments or assumptions which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

m. Audit fees

The audit fees paid and payable to the Queensland Audit Office to perform an audit of the Fund’s transactions for 2011-12 are estimated to be $19,000 (2011: $18,100) This amount is included in the Statement of comprehensive income.

n. New and revised accounting standards

The Fund did not voluntarily change any of its accounting policies during 2011-12. AASB 2010-4 Further Amendments 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 Fund’s previous disclosure practices, AASB 1054 had minimal impact on the Fund. Audit fees have now been disclosed in Note 1(m).

The Fund 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 Fund has not applied any Australian accounting standards and interpretations that have been issued but are not yet effective. The Fund 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
1 Summary of significant accounting policies (continued)

n. New and revised accounting standards (continued)
   - 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 Fund 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 Funds activities, or have no material impact on the Fund.

2 Insurance levies and premium

All insurance levies collected via the Queensland Law Society (QLS) renewal process were transferred to the Law Claims Levy Fund. The surplus collection can only be used in accordance with the Indemnity Rules for insurance purposes.

The Fund continues to accumulate reserves in accordance with actuarial assessments for the benefit of all practitioners.

The insurance expense represents the amount payable under the master policy in accordance with the Indemnity Rules.

3 Income in advance

Income in advance relates to insurance levies collected from the profession during the renewals cycle which relate to insurance cover to be provided post the end of the financial year.

<table>
<thead>
<tr>
<th>Income in advance</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levies received in advance</td>
<td>$27,203,309</td>
<td>$22,058,873</td>
</tr>
</tbody>
</table>

4 Provision for outstanding claims

<table>
<thead>
<tr>
<th>Provision for outstanding claims</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance at start of reporting period</td>
<td>$484,000</td>
<td>$899,000</td>
</tr>
<tr>
<td>Claims incurred</td>
<td>$(213,382)</td>
<td>$(167,395)</td>
</tr>
<tr>
<td>Claims paid</td>
<td>$(220,618)</td>
<td>$(247,605)</td>
</tr>
<tr>
<td>Closing balance at end of reporting period</td>
<td>$50,000</td>
<td>$484,000</td>
</tr>
<tr>
<td>Current liability</td>
<td>$50,000</td>
<td>$484,000</td>
</tr>
<tr>
<td>Non-current liability</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The Fund has a stop loss policy with Lexon Insurance Pte Ltd (formerly QLS Insurance Pte Ltd) which initially capped its liability for future payments at $5,000,000 at 1 July 2002.
5 Receivables

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>123,955</td>
<td>292,622</td>
</tr>
<tr>
<td>GST receivable</td>
<td>326</td>
<td>2,257</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>124,281</td>
<td>294,879</td>
</tr>
</tbody>
</table>

6 Notes to the cash flow statement

a. Reconciliation of cash
For the purposes of the Statement of cash flows, cash includes cash on hand and in banks and investments on money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position. Refer to Note 7a.

b. Financing facilities
The Fund has no external non-cash financing or any standby credit facilities or any other loan facilities.

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus/(deficit) for the period</td>
<td>2,100,868</td>
<td>5,378,368</td>
</tr>
</tbody>
</table>

Adjustments for:

Net investment income | (1,407,475) | (1,570,983) |

Changes in assets and liabilities:

Decrease/(increase) in accounts receivables | 170,598     | (154,249)  |
Increase/(decrease) in provision for outstanding claims | (434,000)   | (415,000)  |
Increase/(decrease) in accounts payables | (31,093)    | 26,328    |
Increase/(decrease) in income in advance | 5,144,436   | (3,205,789) |

Net cash provided by/(used in) operating activities | 5,543,334   | 58,675    |
7 Cash and financial assets

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>7(a) Current assets:</td>
<td>7(a) Current assets:</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>169,593</td>
</tr>
<tr>
<td>Short term deposits at cost</td>
<td>21,562,199</td>
</tr>
<tr>
<td>Cash included in cash flow</td>
<td>21,731,792</td>
</tr>
<tr>
<td>Total cash and cash equivalent</td>
<td>32,231,792</td>
</tr>
</tbody>
</table>

7(b) Financial assets, at fair value through profit or loss:

<table>
<thead>
<tr>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Collective investment schemes</td>
<td>31,914,893</td>
</tr>
</tbody>
</table>

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.

Managed funds include units in various funds with the following managers:

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

8 Contingent liabilities

Under the present insurance agreements the total liability of the Fund for the respective years of insurance is limited to $100,000 (1987-1994) and $500,000 (1995) per individual claim and this amount is reduced by the amount of the solicitors’ deductible. Also an aggregate limit per respective year of insurance applies and this limits the total liability of the Fund.

Based on the actuarial advice in respect of the position of the Fund as at 30 June 2012 (Finity – August 2012), the insurance in place with regard to the limits per file, and the overall Fund’s aggregate limit as at 30 June 2012, the Society is of the opinion that the funds on hand together with future investment income and deductibles, and in conjunction with stop loss cover (see Note 4) will ensure that all future claims will be met as and when they fall due.
9 Financial risk

The Fund’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 Fund is not exposed to significant foreign currency risk as the majority of the Fund’s transactions, assets and liabilities are denominated in Australian dollars.

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

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

As part of the Fund’s investment mandate it may hold units in funds which hold unhedged international securities. Any unhedged position will be in accordance with the strategic asset allocation, and is monitored regularly by management.

b. Price and interest rate risk

The Fund is exposed to equity securities price risk arising from the investments classified as other financial assets. These securities are held with Australian fund managers.

The Fund seeks to reduce risk by diversifying across a range of securities, maturities and counterparties. Investments of funds are 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 Fund’s 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 regularly review the performance and ensure all investments held are within the approved mandate.
9 Financial risk (continued)

  c. Credit risk

  There is no significant credit risk with respect to the collectability of levies as the levy is compulsory. All levies 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 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 reporting date no financial assets are past due or impaired.

  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.

  Other financial assets are redeemable on demand. These are placed with reputable fund managers. The Fund holds units in two funds which have frozen redemptions as a result of the Global Financial Crisis (refer to Note 9(d)).

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

  No financial assets are past due.

  d. Liquidity risk

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

  The Fund 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.

  d. Liquidity risk (continued)

  As at reporting date, the Fund’s financial liabilities are all current.

  The fund holds units in two funds with fair values of $2,301,207 (2011: $2,656,608) which have limited redemptions as a result of the Global Financial Crisis. These property funds and redemptions would require disposal of real property which may be to the detriment of remaining unit holders. The funds are accounted for at fair value. These funds are not required for liquidity purposes.

  e. Interest rate and price sensitivity

  The following interest rate sensitivity depicts the outcome to the profit and loss if the interest rates were to increase by 1% linearly from the year end yield curve applicable to the Fund’s financial assets and liabilities which are subject to interest movements. With all other variables held constant, the Fund would have a decrease of $384,875 (2011: $305,233). A linear decrease of interest rates by 1% would result in an increase of $384,875 (2011: $305,233).

  The following price sensitivity depicts the outcome to the profit and loss if all equity investments moved an average of 5% from the year end values. With all other variables held constant, the company would record an unrealised gain of $406,600 (2011: $437,364) for a 5% increase in market values and an unrealised loss of $406,600 (2011: $437,364) for a 5% decrease in market values.

  f. Fair value

  The carrying amount of cash and cash equivalent, receivables, payables and lease liabilities approximate their fair value and are not disclosed separately.
Declaration of
Law Claims Levy Fund

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 Law Claims Levy Fund.

b. In our opinion:
   i. the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects
   ii. 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 Law Claims Levy Fund 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 Law Claims Levy Fund

Report on the financial report

I have audited the accompanying financial report of Law Claims Levy Fund, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement 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.

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 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 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 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.
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 the Law Claims Levy Fund 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 Law Claims Levy Fund for the year ended 30
June 2012. Where the financial report is included on the Law Claims Levy Fund’s website the Council
is responsible for the integrity of the Law Claims Levy Fund’s website and I have not been
engaged to report on the integrity of the Law Claims Levy Fund’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
Financial statements

Legal Practitioners’ Fidelity Guarantee Fund

Contents

104 Statement of comprehensive income for the year ended 30 June 2012
105 Statement of financial position as at 30 June 2012
106 Statement of changes in equity for the year ended 30 June 2012
106 Statement of cash flows for the year ended 30 June 2012
113 Declaration of Legal Practitioners’ Fidelity Guarantee Fund
114 Independent Auditor’s report
## Statement of comprehensive income
for the year ended 30 June 2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Practitioner fees</td>
<td>2,964,594</td>
<td>2,771,814</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>1,019,624</td>
<td>796,007</td>
</tr>
<tr>
<td>Costs recovered</td>
<td>64,349</td>
<td>103,625</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>4,048,567</strong></td>
<td><strong>3,671,446</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration expenses</td>
<td>28,882</td>
<td>28,968</td>
</tr>
<tr>
<td>Claims approved for payment</td>
<td>434,370</td>
<td>(24,046)</td>
</tr>
<tr>
<td>Notified claims</td>
<td>(16,600)</td>
<td>(5,286)</td>
</tr>
<tr>
<td>Claim costs</td>
<td>79,273</td>
<td>175,410</td>
</tr>
<tr>
<td>Expenses reimbursed to Queensland Law Society</td>
<td>156,730</td>
<td>145,059</td>
</tr>
<tr>
<td>Receivership costs</td>
<td>3,465</td>
<td>20,022</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>686,120</strong></td>
<td><strong>340,127</strong></td>
</tr>
<tr>
<td><strong>Operating surplus</strong></td>
<td><strong>3,362,447</strong></td>
<td><strong>3,331,319</strong></td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td><strong>3,362,447</strong></td>
<td><strong>3,331,319</strong></td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.
Queensland Law Society Incorporated  
Legal Practitioners’ Fidelity Guarantee Fund  

**Statement of financial position**  
as at 30 June 2012

<table>
<thead>
<tr>
<th>Current assets</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$20,913,187</td>
<td>$17,252,608</td>
</tr>
<tr>
<td>Receivables</td>
<td>$262,550</td>
<td>$92,125</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>$21,175,737</strong></td>
<td><strong>$17,344,733</strong></td>
</tr>
</tbody>
</table>

| Total assets                | **$21,175,737** | **$17,344,733** |

<table>
<thead>
<tr>
<th>Current liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables</td>
<td>$46,775</td>
<td>$38,916</td>
</tr>
<tr>
<td>Income in advance</td>
<td>$2,831,750</td>
<td>$2,355,240</td>
</tr>
<tr>
<td>Provision for notified claims</td>
<td>$1,978,430</td>
<td>$1,995,030</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>$4,856,955</strong></td>
<td><strong>$4,389,186</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions</td>
<td>$35,328</td>
<td>$34,540</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>$35,328</strong></td>
<td><strong>$34,540</strong></td>
</tr>
</tbody>
</table>

| Total liabilities           | **$4,892,283** | **$4,423,726** |

| Net assets                  | **$16,283,454** | **$12,921,007** |

<table>
<thead>
<tr>
<th>Equity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained surplus</td>
<td><strong>$16,283,454</strong></td>
<td><strong>$12,921,007</strong></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>$16,283,454</strong></td>
<td><strong>$12,921,007</strong></td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.
Queensland Law Society Incorporated  
Legal Practitioners' Fidelity Guarantee Fund

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 July 2011</td>
<td>$12,921,007</td>
<td>$9,589,688</td>
</tr>
<tr>
<td>Operating surplus for the period</td>
<td>$3,362,447</td>
<td>$3,331,319</td>
</tr>
<tr>
<td>Balance at 30 June 2012</td>
<td>$16,283,454</td>
<td>$12,921,007</td>
</tr>
</tbody>
</table>

NOTES
Inflows (outflows)
Cash flows from operating activities
Contributions by practitioners and cost recoveries | $3,441,104 | $2,822,575 |
Claim payments and administration expenses | $(628,058) | $(249,759) |
Interest received | $847,533 | $827,573 |
Net cash provided by/(used in) operating activities | 11(c) | $3,660,579 | $3,400,389 |

Net increase/(decrease) in cash held | $3,660,579 | $3,400,389 |
Cash at the beginning of the financial year | $17,252,608 | $13,852,219 |
Cash at the end of the financial year | 11(a) | $20,913,187 | $17,252,608 |

The accompanying notes form part of these statements.
NOTES

Objectives and principal activities

The Queensland Law Society Incorporated (‘the Society’), pursuant to s359 of the Legal Profession Act 2007 (‘the Act’) is required to continue the existence of a fund called the Legal Practitioners’ Fidelity Guarantee Fund (the “Fund”) as was required under s12 of the Queensland Law Society Act 1952. The Fund has been established for the purposes of providing a source of compensation for defaults by law practices arising from acts or omissions of associates of law practices. The major source of income for the Fund is contributions from legal practitioners.

1. Summary of significant accounting policies

a. Statement of compliance

The Fund has prepared these financial statements in compliance with s43 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 the Australian Accounting Standards and interpretations. In addition, the financial statements comply with the Treasurer’s Minimum Reporting Requirements for the year ending 30 June 2012 and other authoritative pronouncements.

Except where stated, the historical cost convention is used.

b. Taxation

The Fund is exempt from income tax by virtue of Sections 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.

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.

c. Revenue

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.

d. Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that effect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

e. 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 and Term Deposit Account are interest bearing accounts which are readily convertible to cash on hand at the Society’s option. These investments are brought to account at fair value as indicated in Note 11(a).
1. Summary of significant accounting policies (continued)

f. Receivables

Interest receivable represents interest accruals for amounts received in the month after the balance date.

The Fund has brought to account Fines and Cost Recoveries receivable from practitioners. These receivables have been recognised on an accrual basis and are carried at actual amounts and the collectability of trade debtors is assessed at the reporting date and with provision being made for impairment.

g. 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.

h. Employee benefits

The Fund has no employees and as such there are no employee entitlements outstanding. All employees are employed by the Queensland Law Society Incorporated and salary costs are reimbursed based on actual expenditure.

i. Provision for notified claims

Claims are brought to account in the year they are notified.

j. Income in advance

Income in advance relates to Fidelity Fund Levies collected from the profession in relation to the upcoming financial year. (ie current year levies in advance relate to collections for the financial year 1 July 2012 to 30 June 2013).

k. Judgments and assumptions

The entity has made no judgments or assumptions which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

l. New and revised accounting standards

The Fund did not voluntarily change any of its accounting policies during 2011-12.

AASB 2010-4 Further Amendments 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 Fund’s previous disclosure practices, AASB 1054 had minimal impact on the Fund. One of the footnotes to Note 4 Administration Expenses, regarding audit fees, has been slightly amended to identify the Fund’s auditor and clarify the nature of the work performed by the auditor.

The Fund 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 Fund has not applied any Australian accounting standards or interpretations that have been issued but are not yet effective. The Fund applies standards and interpretations in accordance with their respective commencement dates.
1. Summary of significant accounting policies (continued)
   I. New and revised accounting standards (continued)

   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, 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 Fund 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 Fund’s activities, or have no material impact on the Fund.

2. Practitioner fees

   With a view to ensuring that the Fund is able to meet its financial commitments when they fall due, the Council of the Queensland Law Society Incorporated resolved to levy each practitioner $365 (2011 – $355) in accordance with s156 of the Act.

3. Costs recovered

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recoveries from practitioners</td>
<td>64,349</td>
<td>103,625</td>
</tr>
<tr>
<td></td>
<td><strong>64,349</strong></td>
<td><strong>103,625</strong></td>
</tr>
</tbody>
</table>

4. Administration expenses

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees – Fidelity Fund</td>
<td>10,830</td>
<td>11,000</td>
</tr>
<tr>
<td>Bank charges</td>
<td>261</td>
<td>260</td>
</tr>
<tr>
<td>Payroll tax</td>
<td>4,989</td>
<td>4,964</td>
</tr>
<tr>
<td>Rent and electricity</td>
<td>12,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Telephone</td>
<td>802</td>
<td>744</td>
</tr>
<tr>
<td></td>
<td><strong>28,882</strong></td>
<td><strong>28,968</strong></td>
</tr>
</tbody>
</table>

   Total audit fees paid and payable to the Queensland Audit Office to perform an audit of the Fund’s transactions for 2011-12 are estimated to be $11,700 (2011: $11,720). There are no non-audit services included in this amount.
5. Expenses reimbursed to the Queensland Law Society Incorporated

The Fund, pursuant to s152 of the Act, is required to reimburse the Society for all costs and expenses incurred in the administration of the Fund. The Society performs all managerial and administrative tasks on behalf of the Fund.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration fees – fixed fee</td>
<td>36,000</td>
<td>36,000</td>
</tr>
<tr>
<td>Administration fees – reimbursement of costs</td>
<td>120,730</td>
<td>109,059</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>156,730</strong></td>
<td><strong>145,059</strong></td>
</tr>
</tbody>
</table>

6. Receivables

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest receivable</td>
<td>260,461</td>
<td>88,370</td>
</tr>
<tr>
<td>GST receivable</td>
<td>-</td>
<td>1,249</td>
</tr>
<tr>
<td>Other receivables</td>
<td>2,089</td>
<td>2,506</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>262,550</strong></td>
<td><strong>92,125</strong></td>
</tr>
</tbody>
</table>

7. Payables

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved claims</td>
<td>19,242</td>
<td>4,330</td>
</tr>
<tr>
<td>Other payables and accruals</td>
<td>11,700</td>
<td>19,403</td>
</tr>
<tr>
<td>Payables to Queensland Law Society</td>
<td>15,833</td>
<td>15,183</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46,775</strong></td>
<td><strong>38,916</strong></td>
</tr>
</tbody>
</table>

8. Income in advance

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity guarantee fee for upcoming year</td>
<td>2,831,750</td>
<td>2,355,240</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,831,750</strong></td>
<td><strong>2,355,240</strong></td>
</tr>
</tbody>
</table>

Levies are collected by the Queensland Law Society Incorporated on behalf of the Fund. The levies collected in May and June 2012 relating to the 2012/13 year were paid to the fund in June 2012. As a result, this is shown as income in advance.
Notes to and forming part of the financial statements for the year ended 30 June 2012

9. Provision for notified claims

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notified claims</td>
<td>1,978,430</td>
<td>1,995,030</td>
</tr>
</tbody>
</table>

Notified claims represent the estimated liability in relation to claims which have been notified but not yet admitted as a claim. Once the claim has been admitted, they are disclosed as approved claims included in Note 7.


<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable to Queensland Law Society</td>
<td>35,328</td>
<td>34,540</td>
</tr>
</tbody>
</table>

11. Notes to the statement of cash flows

a. Reconciliation of cash

For the purposes of the Statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash assets</td>
<td>287,991</td>
<td>1,766,885</td>
</tr>
<tr>
<td>Cash deposit account</td>
<td>4,075,196</td>
<td>1,935,723</td>
</tr>
<tr>
<td>Term deposit account</td>
<td>16,550,000</td>
<td>13,550,000</td>
</tr>
<tr>
<td></td>
<td>20,913,187</td>
<td>17,252,608</td>
</tr>
</tbody>
</table>

b. Financing facilities

The Fund has no external non-cash financing or any standby credit facilities or any other loan facilities.

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations surplus./(deficit)</td>
<td>3,362,447</td>
<td>3,331,319</td>
</tr>
</tbody>
</table>

Changes in assets and liabilities:

| (Increase)/decrease in receivables | (170,425) | 29,759 |
| (Decrease)/increase in creditors and claims | 468,557 | 39,311 |
| Net cash provided by/(used in) operating activities | 3,660,579 | 3,400,389 |
12. Contingent liabilities
There are no known contingencies at balance date. (2011 – nil)

13. Operating lease expense commitments
The Fund has no operating lease commitments. (2011 – nil)

14. Financial risk
The Fund’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 Fund is not exposed to any foreign currency risk.

b. Price and interest rate risk
The funds are invested in reputable Australian banks. Investments include fixed term deposits which are not subject to interest rate or price risk.

c. Credit risk
There is no significant credit risk with respect to the collectability of levies as the levy is compulsory. All levies are paid up front at the commencement of the period.

Credit risk arising on funds placed on term deposit is managed by ensuring funds are only placed with reputable institutions.

i. Financial assets that are neither past due or impaired
At the Statement of financial position date no financial assets are past due or impaired.

ii. Financial assets that are past due and/or impaired
No financial assets are past due.

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

As at the statement of financial position date, the Fund’s financial liabilities are all current.

e. Interest rate sensitivity
The fund does not hold any financial instruments subject to interest rate variability.

f. Fair value
The carrying amount of cash and cash equivalents, receivables, payables and lease liabilities approximate their fair value and are not disclosed separately.
Declaration of Legal Practitioners’ Fidelity Guarantee Fund

The foregoing financial statements have been prepared pursuant to s365 of the Queensland Legal Profession Act 2007, 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 Legal Practitioners’ Fidelity Guarantee Fund.

b. In our opinion:
   i. the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects
   ii. the foregoing financial statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards of the transactions of the Legal Practitioners’ Fidelity Guarantee Fund for the financial year 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 Legal Practitioners’ Fidelity Guarantee Fund

Report on the financial report

I have audited the accompanying financial report of Legal Practitioners’ Fidelity Guarantee Fund, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement 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.

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. 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 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 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

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 the Legal Practitioners’ Fidelity Guarantee
       Fund 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 Legal Practitioners’ Fidelity Guarantee Fund
for the year ended 30 June 2012. Where the financial report is included on the Legal Practitioners’
Fidelity Guarantee Fund’s website the Council is responsible for the integrity of the Legal
Practitioners’ Fidelity Guarantee Fund’s website and I have not been engaged to report on the
integrity of the Legal Practitioners’ Fidelity Guarantee Fund’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
Glossary

AICD: Australian Institute of Company Directors
AILA: Australian Insurance Lawyers Association
AIM: Australian Institute of Management
ARNECC: Australian Registrar’s National Electronic Conveyancing Council
ASCR: Australian Solicitors’ Conduct Rules
AC: Companion of the Order of Australia
ACLA: Australian Corporate Lawyers Association
ACT: Australian Capital Territory
AO: Officer of the Order of Australia
CEDA: Committee for Economic Development Australia
COAG: Council of Australian Governments
DLA: District Law Association
FLPAQ: Family Law Practitioners’ Association of Queensland
ILP: Incorporated Legal Practice
IP: Intellectual Property
JAG: Department of Justice and Attorney-General
LCLF: Law Claim Levy Fund
LCA: Law Council of Australia
LEADR: Association of Dispute Resolvers
LNP: Liberal National Party
LPFGF: Legal Practitioners’ Fidelity Guarantee Fund
LSC: Legal Services Commissioner
MDP: Multi-disciplinary Partnership
MRM: Member relationship management
NDIS: National Disability Insurance Scheme
NECDL: National Electronic Conveyancing Development Limited
NIIS: National Injury Insurance Scheme
PEXA: Property Exchange Australia
QC: Queen’s Counsel
QCAT: Queensland Civil and Administrative Tribunal
QLS: Queensland Law Society
QPILCH: Queensland Public Interest Law Clearing House
QUT: Queensland University of Technology
RRR: Rural, regional and remote
UQ: University of Queensland
WH&S: Workplace health and safety
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info@qls.com.au
>> qls.com.au

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