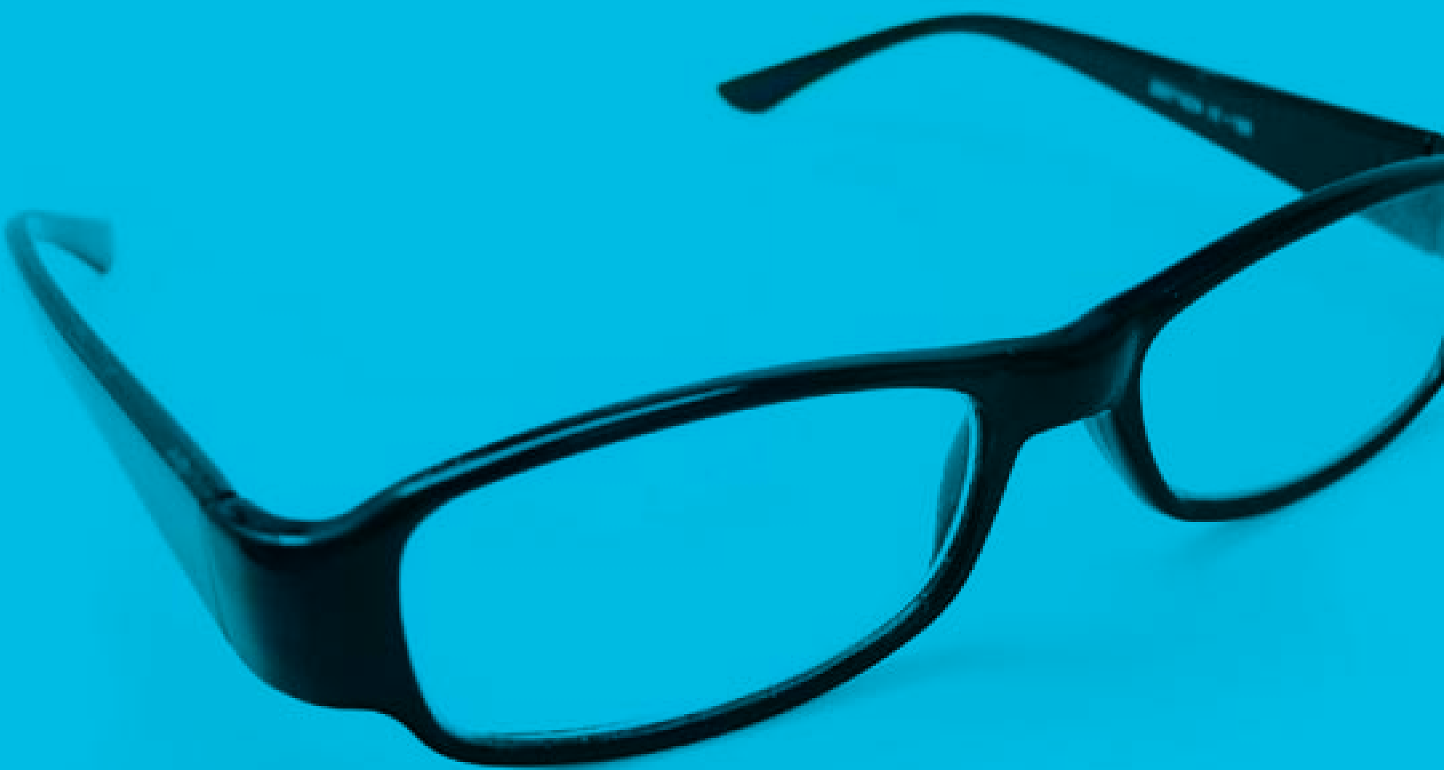
Queensland Law Society Incorporated

FINANCIAL STATEMENTS



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* All amounts are denoted in Australian currency.

Statement of Comprehensive Income
For the year ended 30 June 2011

		Consolidated		Parent Entity	
	NOTE	2011	2010	2011	2010
		$	$	$	$
Revenue					
Membership and practitioner fees	6	8,103,292	7,140,473	8,103,292	7,140,473
Department of Justice and Attorney-General grants	1e	1,736,313	2,125,324	1,736,313	2,125,324
Rent and administration revenue	7	845,426	914,408	1,225,216	1,261,908
Membership services and events	8	4,144,113	4,113,470	4,144,113	4,113,470
Commissions and funding	1e	396,376	2,841,220	396,376	2,841,220
Insurance premiums, levies and deductibles		29,077,206	31,719,544	-	-
Investment income	5(a)	9,093,482	5,564,350	642,933	400,733
Realised gains (losses) on financial assets – fair value through profit or loss	5(b)	49,349	(3,374,834)	-	-
Fair value gains on financial assets – fair value through profit or loss	5(b)	(540,999)	5,698,547	-	-
Other income		105,814	125,584	105,814	125,584
Total revenue		**53,010,372**	**56,868,086**	**16,354,057**	**18,008,712**
Expenses					
Membership services and events	8	2,214,882	2,049,982	2,214,882	2,049,982
Administration expenses	9	5,254,373	5,276,621	3,139,005	3,112,188
Employee benefit expense		9,576,238	9,200,247	7,663,604	7,425,405
Council and committee costs	10	383,366	425,911	383,366	425,911
Depreciation	14	938,229	755,798	917,537	722,066
Law council capitation fees		877,493	796,577	877,493	796,577
Reinsurance costs		4,336,789	3,694,787	-	-
Insurance claims		22,525,326	20,897,962	-	-
Insurance recoveries		(2,953,727)	(1,748,250)	-	-
Claims handling expense		(303,000)	(139,000)	-	-
Brokerage fees		160,000	160,000	-	-
Total expenses		**43,009,969**	**41,370,635**	**15,195,887**	**14,532,129**
Operating surplus before income tax		**10,000,403**	**15,497,451**	**1,158,170**	**3,476,583**
Income tax expense	21	886,718	1,871,380	-	-
Operating surplus after income tax		**9,113,685**	**13,626,071**	**1,158,170**	**3,476,583**
Other comprehensive income, net of tax	15	(105,756)	(1,287,468)	(105,756)	(1,287,468)
Total comprehensive income		**9,007,929**	**12,338,603**	**1,052,414**	**2,189,115**

The accompanying notes form part of these statements.

Statement of Financial Position
As at 30 June 2011

	NOTE	Consolidated 2011 $	Consolidated 2010 $	Parent Entity 2011 $	Parent Entity 2010 $
Current assets					
Cash and cash equivalents	20(a)	45,364,288	46,565,043	16,630,621	14,620,329
Receivables	12	4,240,308	2,595,868	1,162,529	1,417,280
Insurance contract liabilities ceded	11	4,326,000	2,191,000	-	-
Total current assets		**53,930,596**	**51,351,911**	**17,793,150**	**16,037,609**
Non-current assets				-	-
Investment in Lexon Insurance Pte Ltd	4	-	-	19,000,000	19,000,000
Financial assets, fair value through profit or loss	5(b)	107,369,886	102,879,243	-	-
Property, plant and equipment	14	26,093,846	26,511,098	26,035,811	26,480,994
Deferred tax assets	23	5,352,333	5,553,686	-	-
Insurance contract liabilities ceded	11	13,387,000	15,475,857	-	-
Total non-current assets		**152,203,065**	**150,419,884**	**45,035,811**	**45,480,994**
TOTAL ASSETS		**206,133,661**	**201,771,795**	**62,828,961**	**61,518,603**
Current liabilities					
Payables	13	34,247,480	37,567,701	11,932,338	11,717,208
Income tax payable	22	662,218	836,105	-	-
Accrued employee benefits	16	704,055	688,551	581,686	585,020
Provision for outstanding claims	11	19,050,000	20,598,000	-	-
Total current liabilities		**54,663,753**	**59,690,357**	**12,514,024**	**12,302,228**
Non-current liabilities					
Provisions	16	708,826	647,806	663,796	617,647
Deferred income tax liability	23	139,312	118,791	-	-
Provision for outstanding claims	11	55,588,000	55,289,000	-	-
Total non-current liabilities		**56,436,138**	**56,055,597**	**663,796**	**617,647**
TOTAL LIABILITIES		**111,099,891**	**115,745,954**	**13,177,820**	**12,919,875**
NET ASSETS		**95,033,770**	**86,025,841**	**49,651,141**	**48,598,728**
EQUITY					
Retained surplus	15	79,554,111	70,440,426	34,171,482	33,013,313
Other comprehensive income, net of tax	15	15,479,659	15,585,415	15,479,659	15,585,415
TOTAL EQUITY		**95,033,770**	**86,025,841**	**49,651,141**	**48,598,728**

The accompanying notes form part of these statements.

Statement of Changes in Equity
For the year ended 30 June 2011

Parent Entity	NOTE	Revaluation Surplus	Retained Surplus	TOTAL
		$	$	$
Opening Balance – 1 July 2009		16,872,883	29,536,730	46,409,613
Operating surplus for the period		-	3,476,583	3,476,583
Other comprehensive income		(1,287,468)	-	(1,287,468)
Closing balance – 30 June 2010	15	15,585,415	33,013,313	48,598,728
Operating surplus for the period		**-**	**1,158,170**	**1,158,170**
Other comprehensive income		**(105,756)**	**-**	**(105,756)**
Closing balance – 30 June 2011	15	**15,479,659**	**34,171,483**	**49,651,142**

Consolidated	NOTE	Asset Revaluation Reserve	Retained Surplus	TOTAL
		$	$	$
Opening Balance – 1 July 2009		16,872,883	56,814,355	73,687,238
Operating surplus for the period		-	13,626,071	13,626,071
Other comprehensive income		(1,287,468)	-	(1,287,468)
Closing balance – 30 June 2010	15	15,585,415	70,440,426	86,025,841
Operating surplus for the period		**-**	**9,113,685**	**9,113,685**
Other comprehensive income		**(105,756)**	**-**	**(105,756)**
Closing balance – 30 June 2011	15	**15,479,659**	**79,554,111**	**95,033,770**

The accompanying notes form part of these statements.

Statement of Cash Flows
For the year ended 30 June 2011

	NOTE	Consolidated 2011 $	Consolidated 2010 $	Parent Entity 2011 $	Parent Entity 2010 $
Cash flows from operating activities					
Receipts from the profession		43,262,711	48,211,304	14,696,394	16,328,468
Receipts from Department of Justice		2,584,153	2,657,892	2,584,153	2,657,892
Payments to suppliers and employees		(21,172,118)	(20,685,937)	(15,319,071)	(16,468,673)
Receipts collected for Society entities		-	-	29,073,106	32,079,836
Payments to Society entities		-	-	(26,003,206)	(28,898,487)
Receipts collected for Legal Practitioners' Fidelity Guarantee Fund		2,822,575	2,681,546	2,822,575	2,681,546
Payments to Legal Practitioners' Fidelity Guarantee Fund		(2,822,575)	(2,681,546)	(2,822,575)	(2,681,546)
Reinsurance recoveries		355,107	358,310	-	-
Reinsurance payments		(3,086,789)	(3,694,787)	-	-
Claims & claims related payments		(21,321,157)	(22,067,338)	-	-
Interest received		1,524,674	1,452,648	629,799	349,131
Interest paid		-	-	-	-
GST refunded from ATO		1,409,049	1,756,073	682,628	941,617
GST paid to ATO		(3,755,400)	(3,519,456)	(3,755,400)	(3,473,221)
Income tax refund/(paid)	22	(838,731)	791,001	-	-
Net cash provided by/(used in) operating activities	20(c)	**(1,038,501)**	**5,259,710**	**2,588,403**	**3,516,563**
Cash flows from investing activities					
Net term deposits		(6,550,000)	14,000,000	(6,550,000)	3,000,000
Purchase of investments		(5,340,650)	(52,977,006)	-	-
Proceeds from investment redemptions		5,805,130	13,545,528	-	-
Distribution from LCLF for purchase of Lexon shares				-	-
Purchase of Lexon shares				-	-
Payments for property, plant and equipment	14	(626,734)	(4,353,837)	(578,111)	(4,353,837)
Net cash provided by/(used in) investing activities		**(6,712,254)**	**(29,785,315)**	**(7,128,111)**	**(1,353,837)**
Net increase/(decrease) in cash held		(7,750,755)	(24,525,605)	(4,539,708)	2,162,726
Cash at the beginning of the period	20(a)	44,565,043	69,090,648	14,620,329	12,457,603
Cash at the end of the period	20(a)	**36,814,288**	**44,565,043**	**10,080,621**	**14,620,329**

The accompanying notes form part of these statements.

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

NOTES

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 of practising 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 Society 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 2011 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 100percent owned by the Society. This Company was wholly controlled for the whole period.

c. Principles of consolidation

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

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

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 17 February 2006 to 16 February 2016 under the tax exemption scheme for captive insurers by the Monetary Authority of Singapore.

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

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

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

e. Revenue recognition

i. Premium income

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

ii. Interest income

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

iii. Distribution on assets

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

iv. Other income

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

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

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.

Commissions and funding in the Statement of Comprehensive Income in the prior year includes a donation received from the Law Foundation – Queensland being a contribution of $2,417,726 towards the refurbishment of Law Society House. While the cost of the refurbishment has been capitalised and will be expensed via depreciation in accordance with our depreciation policy (Note 1 j (ii)), the full contribution has been recorded in the Statement of Comprehensive Income given it was a non-reciprocal grant.

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 beneficiaries 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.

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

1. Summary of significant accounting policies continued

h. Reinsurance contracts continued

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

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

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

i. Financial assets

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

i. Receivables

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

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

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

ii. Financial assets, fair value through profit or loss

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

j. Property, plant and equipment

i. Acquisition of assets

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

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

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

1. Summary of significant accounting policies continued

j. Property, plant and equipment continued

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:

	2011	2010
Asset Class		
Strata title building	2.5%	2.5%
Plant and equipment	4% - 33%	4% - 33%
Computer equipment	33% - 100%	33% - 100%

iii. Impairment of non-financial assets

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

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

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

iv. Revaluations

The strata title building is measured at fair value 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.

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

1. Summary of significant accounting policies continued

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.

n. Employee benefits

i. Annual leave

Current annual leave entitlements represent present obligations resulting from services provided by employees up to balance date, calculated at undiscounted amounts based on remuneration rates that the entity expects to pay as at 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 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.

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

1. Summary of significant accounting policies continued

n. Employee benefits continued

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.

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.

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

1. Summary of significant accounting policies continued

r. New and revised accounting standards

The Group did not voluntarily change any of its accounting policies during 2010-11.

AASB 2009 – 5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* included certain amendments to AASB 117 *Leases* that revised the criteria for classifying leases involving land and buildings. This amendment does not affect the Group.

The Group is not permitted to early adopt a new 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.

At the date of authorisation of the financial report, significant impacts of new or amended Australian accounting standards with future commencement dates are as set out 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]* becomes effective from reporting periods beginning on or after 1 January 2011. The Group will then need to make changes to its disclosures about credit risk on financial instruments in note 22(c). No longer will the Group need to disclose amounts that best represent an entity's maximum exposure to credit risk where the carrying amount of the instruments reflects this. If the Group holds collateral or other credit enhancements in respect of any financial instrument, it will need to disclose – by class of instrument – the financial extent to which those arrangements mitigate the credit risk. There will be no need to disclose the carrying amount of financial assets for which the terms have been renegotiated, which would otherwise be past due or impaired.

AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108,110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129, & 1052]* apply to reporting periods beginning on or after 1 July 2013.

AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "tier 2").

Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1. AASB 2010-2 sets out the details of which disclosures in standards and interpretations are not required under tier 2 reporting.

Treasury Department has advised that its policy decision is to require all entities captured within the whole-of-government financial reports to adopt tier 1 reporting requirements. In compliance with Treasury's policy which prohibits the early adoption of new or revised accounting standards unless Treasury approval is granted, the Group has not early adopted AASB 1053.

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

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

2. Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

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

(a) Actuarial methodology for estimate for policyholder claims

The Group's estimates for reported and unreported losses, establishing resulting provisions and related reinsurance 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 had 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 10percent development beyond the 9th development half-year.
- The average cost per solicitor (used in the BF method) adopted is $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 4.9percent.
- 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").
- While we have calculated a central estimate, we have applied a risk margin at a 90percent 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. Claim numbers are assumed to be fully developed by development half year 7.

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

2. Critical accounting estimates and judgements continued

(b) Key assumptions continued

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

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

(c) Sensitivity analysis of key estimates

While the gross ultimate costs are sensitive to valuation assumptions, the net results are 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 $14.9m. A 10percent reserve under estimation results in an additional gross undiscounted reserve of $7.2m and net discounted reserve (after risk margins) of $3.3m or 5.9percent of the discounted net central estimate plus risk margins.
- Reserve overestimation: If our estimated reserves on all years improved by 10percent then it would result in a decrease in gross undiscounted reserve of $7.2m and the total net provision (after risk margins) would decrease by $3.0m or 5.4percent of the discounted net central estimate plus risk margins.
- Discount rate: A half a percentage point increase in discount rate (from 4.9percent to 5.4percent) would reduce our provision by $0.5m or one percent of the discounted net central estimate plus risk margins.
- Claims handing provision: A one percentage point increase in the claims handling rate applied would increase our provision by $0.7m or 1.3percent of the discounted net central estimate plus risk margins.

3. Management of insurance and financial risk

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

3.1 Insurance risk

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

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

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

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 does create a wider variability of outcome than a balanced portfolio.

(b) Reinsurance strategy

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

- to reduce risk, and
- to stabilise solvency.

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

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after known deductions for insolvencies and uncollectable 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.

(ii) Management of risks

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

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

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

3. Management of insurance and financial risk continued

3.1 Insurance risk continued

(c) Terms and conditions of insurance contracts continued

(ii) Management of risks continued

Claims development history

	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Underwriting year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	**Total**
Gross							
Estimate of ultimate claims							
Costs:							
- at end of reporting year	22,783	22,378	21,278	27,820	21,695	25,310	
- one year later	23,490	23,028	16,045	32,056	15,572		
- two years later	18,695	21,684	13,811	31,274			
- three years later	17,332	18,766	15,722				
- four years later	17,605	18,261					
- five years later	18,527						
Cumulative payments to date	(14,237)	(14,414)	(7,538)	(16,390)	(2,706)	(1,551)	
Estimate of claims reserve	4,290	3,847	8,184	14,884	12,866	23,759	**67,830**
Effect of discounting	(405)	(378)	(795)	(1,526)	(1,470)	(3,217)	**(7,791)**
Best estimate of claims liability	3,885	3,469	7,389	13,358	11,396	20,542	**60,039**
Liability in respect of years prior to 2005/06							**4,701**
Risk margin							**6,136**
Provision for claims handling							**3,762**
Total outstanding claims included in the balance sheet							**74,638**

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

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

	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	Total
Net							
Estimate of ultimate claims							
Costs:							
- at end of reporting year	18,000	18,000	18,000	18,000	21,695	22,500	
- one year later	18,000	18,000	16,045	18,000	15,572		
- two years later	18,000	18,000	13,811	18,000			
- three years later	17,332	18,000	15,722				
- four years later	17,605	18,000					
- five years later	18,000						
Cumulative payments to date	(14,237)	(14,414)	(7,538)	(16,390)	(2,706)	(1,551)	
Estimate of claims reserve	3,763	3,586	8,184	1,610	12,866	20,949	**50,958**
Effect of discounting	(273)	(300)	(795)	(19)	(1,470)	(2,327)	**(5,184)**
Best estimate of claims liability	3,490	3,286	7,389	1,591	11,396	18,622	**45,774**
Liability in respect of years prior to 2005/06							**1,253**
Risk margin							**6,136**
Provision for claims handling							**3,762**
Total outstanding claims included in the balance sheet							**56,925**

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.

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

3. Management of insurance and financial risk continued

3.2 Reinsurance risk

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

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

3.3 Concentration of risk

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

3.4 Financial risk

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

The Group holds minor cash balances in Singapore Dollar, 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.

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

3. Management of insurance and financial risk continued

3.4 Financial risk continued

(b) Price and interest rate risk continued

Credit Limits

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

Credit Risk Limits for Individual Security Investments

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

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

Interest Rate sensitivity

The following interest rate sensitivity depicts the outcome to the profit or loss if the interest rates were to increase by one percent 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 $832,069 (2010: $902,199). A linear decrease of interest rates by one percent would result in an increase of $832,069 (2010: $902,199).

Price sensitivity

The following price sensitivity depicts the outcome to the profit or loss if all investments moved an average of five percent from the year end values. With all other variables held constant, the Group would record an increase in profit after tax of $1,199,811 (2010: $1,054,114) for a five percent increase in market values and a decrease in profit after tax of $1,199,811 (2010: $1,054,114) for a five percent decrease in market values.

(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 one fund which is 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.

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

3. Management of insurance and financial risk continued

3.4 Financial risk continued

(c) Credit risk continued

(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 $624,889 which are more than one month past due. There is a provision of $483,639 on these outstanding balances.

While provisions have been raised, 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 the Queensland Law Society for follow up.

(iii) Credit ratings

The following table shows the investment grades of balances due:

	Investment grade (AAA to BBB)	Not rated	Total
	$	$	$
At 30 June 2011			
Cash and cash equivalents	2,729,927	534	2,730,461
Insurance contract liabilities ceded	17,713,000	-	17,713,000
Trade and other receivables	166,911	2,514,421	2,681,332
Financial assets	-	76,177,216	76,177,216
	20,609,838	**78,692,171**	**99,302,009**
At 30 June 2010			
Cash and cash equivalents	3,265,908	534	3,266,442
Insurance contract liabilities ceded	17,666,857	-	17,666,857
Trade and other receivables	400,083	537,464	937,547
Financial assets	-	75,991,297	75,991,297
	21,332,848	**76,529,295**	**97,862,143**

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

3. Management of insurance and financial risk continued

3.4 Financial risk continued

(c) Credit risk continued

(iii) Credit ratings continued

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

(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 one fund which has frozen redemptions as a result of the Global Financial Crisis. This is a property fund and redemptions would require disposal of real property which may be to the detriment of remaining unit holders. The fund is accounted for at fair value. This fund is 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 assessing shortfalls between reported and required capital levels on a regular basis. The Group will issue or redeem additional equity and debt instruments when necessary.

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 balance sheet date, Lexon Insurance has met the funds solvency requirement for its Offshore Insurance Fund and the minimum capital adequacy requirement of SGD400,000.

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

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

3. Management of insurance and financial risk continued

3.4 Financial risk continued

(f) Fair value measurements

Effective 1 July 2009 the Group adopted the amendment to FRS 107 which requires disclosure of fair value measurements by levels of the following fair value measurement hierarchy:

(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 (is as prices) or indirectly (ie derived from prices) (Level 2); and

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

4. Critical accounting estimates and judgements 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

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Distributions from financial assets, fair value through profit or loss (net of fees)	7,561,544	4,124,535	-	-
Interest Income	1,531,938	1,439,815	642,933	400,733
	9,093,482	**5,564,350**	**642,933**	**400,733**

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

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Collective investment schemes				
Opening balance	102,879,243	57,042,667	-	-
Additions	6,000,000	53,330,000	-	-
Additions via reinvestment	6,780,971	3,728,392	-	-
Disposals proceeds	(7,798,678)	(13,545,529)	-	-
Gain/loss on disposal	49,349	(3,374,834)	-	-
Fair value movements	(540,999)	5,698,547	-	-
Closing balance	**107,369,886**	**102,879,243**	**-**	**-**

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

5. Investments continued

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

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

6. Membership and practitioner fees

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Practising certificate fees	4,148,875	3,827,970	4,148,875	3,827,970
Member fees	3,274,842	2,989,597	3,274,842	2,989,597
PSC Capping Fee	331,590	-	331,590	-
Certificate of fitness	18,391	17,211	18,391	17,211
Late application levy	9,450	9,000	9,450	9,000
Corporate marketing levy	320,144	296,695	320,144	296,695
	8,103,292	7,140,473	8,103,292	7,140,473

7. Rent and administration revenue

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Management fees	6,028	25,000	365,818	352,500
Law Claims Levy Fund	-	-	20,000	20,000
Legal Practitioners' Fidelity Guarantee Fund	48,000	48,000	48,000	48,000
Legal Practitioners' Admissions Board	264,744	240,829	264,744	240,829
Body Corporate Admin Fee	37,000	-	37,000	-
Rent	393,611	438,156	393,611	438,156
Car parking	96,043	162,423	96,043	162,423
	845,426	914,408	1,225,216	1,261,908

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

8. Membership services and events

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Income				
Practice management course	379,300	439,894	379,300	439,894
Publications	47,998	41,076	47,998	41,076
QLS diary	190,234	200,994	190,234	200,994
Seminars	2,041,444	1,861,499	2,041,444	1,861,499
College of Law commission	106,463	234,001	106,463	234,001
Specialist Accreditation	151,819	186,814	151,819	186,814
Resources, texts and course material	459,327	392,562	459,327	392,562
School and student services	24,160	30,979	24,160	30,979
Events and functions	44,053	92,894	44,053	92,894
Proctor advertising and subscription	418,817	419,638	418,817	419,638
Marketing and sponsorship	280,498	213,119	280,498	213,119
	4,144,113	**4,113,470**	**4,144,113**	**4,113,470**
Direct expenditure (exclude staff costs)				
Practice management course	54,192	78,553	54,192	78,553
QLS diary	111,445	107,909	111,445	107,909
Seminars	1,028,764	913,529	1,028,764	913,529
Specialist Accreditation	9,227	17,669	9,227	17,669
Resources, texts and course material	225,931	175,568	225,931	175,568
School and student services	10,058	32,194	10,058	32,194
Events and functions	83,095	102,605	83,095	102,605
Membership product and services	357,105	300,394	357,105	300,394
Proctor expenses	329,487	316,587	329,487	316,587
Marketing and sponsorship	5,578	4,974	5,578	4,974
	2,214,882	**2,049,982**	**2,214,882**	**2,049,982**

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

9. Administration expenses

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Advertising	16,096	45,633	16,096	45,633
Actuarial fees	93,696	131,080	-	-
Audit fees	138,293	127,597	72,652	72,812
Bad debts	153	-	153	-
Body corporate levies	243,380	217,130	243,380	217,130
Captive managers fee	85,000	85,000	-	-
Catering, functions and entertainment	59,309	44,598	46,882	36,796
Complaint investigations	9,205	3,387	9,205	3,387
Directors fees	309,797	279,600	-	-
District law association sponsorships	3,500	9,000	3,500	9,000
Electricity	44,308	83,533	44,308	83,533
Fringe benefits tax	95,443	86,752	64,698	61,289
Fees and charges	128,124	98,817	114,641	91,032
Foreign exchange	25,729	3,329	-	-
Insurance	285,792	275,524	174,942	172,999
Information technology and related costs	302,719	527,291	302,719	527,291
Interest Expense	(63,574)	220,000	-	-
Investment managers fees	145,772	122,027	-	-
Law Asia	100,000	125,000	100,000	125,000
Lease payments	189,382	181,684	-	-
Liability Capping Scheme	236,100	-	236,100	-
Motor vehicle expense	9,863	8,819	9,863	8,819
Offsite storage	45,185	70,956	45,185	70,956
Payroll tax	461,198	447,193	363,236	353,839
Postage	78,023	89,486	72,474	81,103
Presentations, donations and gifts	45,454	63,847	45,454	63,847
Provision for doubtful debts	171,711	163,053	-	-
Printing and stationery	138,967	154,427	107,579	119,178
Professional and consulting fees	709,618	567,997	273,358	230,988
Rates and taxes	120,149	112,953	120,149	112,953
Registrations and subscriptions	57,004	67,260	39,433	54,905
Regulatory audits	62,173	54,788	62,173	54,788
Repairs and maintenance	224,422	259,412	224,422	259,412
Secretarial fees	21,009	32,801	-	-
Solicitors complaints tribunal	-	9,022	-	9,022
Staff – other costs	30,326	20,521	25,081	20,521

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

9. Administration expenses continued

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Staff advertising	-	6,281	-	6,281
Staff amenities	28,495	22,533	22,831	17,098
Staff training	152,428	77,121	123,173	51,348
Sundry expenses	25,045	13,164	18,203	8,465
Tax consulting	28,901	21,371	-	-
Taxis and couriers	24,287	22,140	23,234	20,994
Telephone	95,052	108,721	68,357	80,256
Travelling expenses	276,839	215,773	65,524	41,513
	5,254,373	**5,276,621**	**3,139,005**	**3,112,188**

10. Council and commitee costs

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Travel and accommodation	67,939	70,638	67,939	70,638
Honorarium	290,667	290,667	290,667	290,667
Convocation	-	5,680	-	5,680
Catering and functions	24,760	58,926	24,760	58,926
	383,366	**425,911**	**383,366**	**425,911**

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

11. Provision for outstanding claims

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Opening gross outstanding claims	75,887,000	76,482,350		-
Claims incurred	24,098,957	23,997,486		-
Claims paid during the year	(25,044,957)	(24,453,836)		-
Movement in claims handling provision	(303,000)	(139,000)		-
Closing gross outstanding claims	**74,638,000**	**75,887,000**		**-**
Opening reinsurance recoveries	(17,666,857)	(16,677,000)		-
Movement in reinsurance recoveries	(2,598,620)	(1,582,000)		-
Reinsurance receivable	2,552,477	592,143		
Closing reinsurance recoveries	**(17,713,000)**	**(17,666,857)**		**-**
Net outstanding items	**56,925,000**	**58,220,143**		**-**
Law Claims Levy Fund	484,000	899,000		-
Lexon Insurance Pte Ltd	56,441,000	57,321,143		-
	56,925,000	**58,220,143**		**-**

The Law Claims Levy Fund has stop loss insurance that capped the fund's liability at $5m 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 2011 by Mr Andrew Cohen (FIAA) and Mr Kane Bolton (FIAA), of Finity Consulting Pty Ltd. The key assumptions are detailed in Note 2.

Net discounted maturity analysis

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

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

11. Provision for outstanding claims continued

2010	Less than 1 year	1 to 5 years	Over 5 years	Total
Gross central estimate	20,598,000	38,072,000	9,546,000	**68,216,000**
Reinsurance recoveries	(2,191,000)	(11,075,000)	(4,400,857)	**(17,666,857)**
Net central estimate	**18,407,000**	**26,997,000**	**5,145,143**	**50,549,143**
Risk margins				**3,606,000**
Claims handling				**4,065,000**
Net claims outstanding				**58,220,143**

12. Receivables

	Consolidated		Parent	
	2011	2010	2011	2010
	$	$	$	$
Accounts receivables	1,190,297	986,963	393,908	209,861
Reinsurance Recoverable	166,911	400,083	-	-
Less: provision for impairment	(483,639)	(316,928)	-	-
	873,569	**1,070,118**	**393,908**	**209,861**
Prepaid expenses and other receivables	3,366,739	1,525,750	768,621	1,207,419
	4,240,308	**2,595,868**	**1,162,529**	**1,417,280**

13. Payables

	Consolidated		Parent	
	2011	2010	2011	2010
	$	$	$	$
Creditors	139,173	433,297	139,173	433,297
Income in advance	29,181,157	32,516,844	7,122,284	7,252,182
Other payments & accruals	4,927,150	4,617,560	4,670,881	4,031,729
	34,247,480	37,567,701	11,932,338	11,717,208

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

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

14. Property plant and equipment

Parent Entity

	Strata Title Building $	Plant and Equipment $	Computer Equipment $	Software $	Total
2009/10					
Cost or valuation					
At the beginning of the year	23,840,445	1,178,007	414,735	-	**25,433,187**
Additions	1,247,224	3,008,855	97,758	-	**4,353,837**
Revaluations/other	(1,320,480)	-	-	-	**(1,320,480)**
At the end of the year	**23,767,189**	**4,186,862**	**512,493**	**-**	**28,466,544**
Depreciation					
At the beginning of the year	-	(920,567)	(375,929)	-	**(1,296,496)**
Charge for the year	(594,691)	(114,139)	(13,236)	-	**(722,066)**
Revaluations/other	33,012	-	-	-	**33,012**
At the end of the year	**(561,679)**	**(1,034,706)**	**(389,165)**	**-**	**(1,985,550)**
Net book value at 30 June 2010	**23,205,510**	**3,152,156**	**123,328**	**-**	**26,480,994**
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**

Property, plant and equipment is stated as follows:

	Strata Title Building $	Plant and Equipment $	Computer Equipment $	Software $	Total
30 June 2010					
At valuation	22,519,965	-	-	-	**22,519,965**
At cost	1,247,224	4,186,862	512,493	-	**5,946,579**
	23,767,189	**4,186,862**	**512,493**	**-**	**28,466,544**
Depreciation	(561,679)	(1,034,706)	(389,165)	-	**(1,985,550)**
	23,205,510	**3,152,156**	**123,328**	**-**	**26,480,994**
30 June 2011					
At valuation	23,655,867	-	-	-	**23,655,867**
At cost	126,840	4,238,620	541,968	370,038	**5,277,466**
	23,782,707	**4,238,620**	**541,968**	**370,038**	**28,933,333**
Depreciation	(1,146,945)	(1,331,951)	(418,626)	-	**(2,897,522)**
	22,635,762	**2,906,669**	**123,342**	**370,038**	**26,035,811**

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

14. Property plant and equipment continued

Consolidated

	Strata Title Building $	Plant and Equipment $	Computer Equipment $	Software $	Total
2009/10					
Cost or valuation					
At the beginning of the year	23,840,445	1,308,689	490,710	-	25,639,844
Additions	1,247,224	3,010,328	110,386	-	4,367,938
Revaluations/other	(1,320,480)	-	-	-	(1,320,480)
At the end of the year	**23,767,189**	**4,319,017**	**601,096**	**-**	**28,687,302**
Depreciation					
At the beginning of the year	-	(1,004,051)	(449,367)	-	(1,453,418)
Additions	(594,691)	(135,243)	(25,864)	-	(755,798)
Revaluations/other	33,012	-	-	-	33,012
At the end of the year	**(561,679)**	**(1,139,294)**	**(475,231)**	**-**	**(2,176,204)**
Net book value at 30 June 2010	**23,205,510**	**3,179,723**	**125,865**	**-**	**26,511,098**
2010/11					
Cost or valuation					
At the beginning of the year	23,767,189	4,319,017	601,096	-	28,687,302
Additions	126,840	51,758	46,651	401,485	626,734
Revaluations/other	(111,322)	-	-	-	(111,322)
At the end of the year	**23,782,707**	**4,370,775**	**647,747**	**401,485**	**29,202,714**
Depreciation					
At the beginning of the year	(561,679)	(1,139,294)	(475,231)	-	(2,176,204)
Additions	(590,831)	(317,380)	(30,018)	-	(938,229)
Revaluations/other	5,565	-	-	-	5,565
At the end of the year	**(1,146,945)**	**(1,456,674)**	**(505,249)**	**-**	**(3,108,868)**
Net book value at 30 June 2011	**22,635,762**	**2,914,101**	**142,498**	**401,485**	**26,093,846**

Property, plant and equipment is stated as follows:

	Strata Title Building $	Plant and Equipment $	Computer Equipment $	Software $	Total
30 June 2010					
At valuation	22,519,965	-	-	-	22,519,965
At cost	1,247,224	4,319,017	601,096	-	6,167,337
	23,767,189	**4,319,017**	**601,096**	**-**	**28,687,302**
Depreciation	(561,679)	(1,139,294)	(475,231)	-	(2,176,204)
	23,205,510	**3,179,723**	**125,865**	**-**	**26,511,098**
30 June 2011					
At valuation	23,655,867	-	-	-	23,655,867
At cost	126,840	4,370,775	647,747	401,485	5,546,847
	23,782,707	**4,370,775**	**647,747**	**401,485**	**29,202,714**
Depreciation	(1,146,945)	(1,456,674)	(505,249)	-	(3,108,868)
	22,635,762	**2,914,101**	**142,498**	**401,485**	**26,093,846**

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

14. Property plant and equipment continued

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 2011 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 $1,234,996 written down value of zero still being used in the provision of services.

15. Reserves

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Revaluation surplus	15,479,659	15,585,415	15,479,659	15,585,415
Retained surplus	79,554,111	70,440,426	34,171,483	33,013,313
Closing balance at end of year	**95,033,770**	**86,025,841**	**49,651,142**	**48,598,728**

During the year the strata title building was revalued in accordance with Note 14. The revaluation deficit of $105,756 (2010: $1,287,468) is reflected as other comprehensive income in the Statement of Comprehensive Income. It is shown as the net movement in Note 14 under revaluations/other under Cost and Depreciation.

16. Accrued employee benefits

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Current				
Annual leave – opening balance	688,551	657,253	585,020	573,649
Leave taken	(658,821)	(686,718)	(547,595)	(574,917)
Leave accrued	674,325	718,016	544,261	586,288
Annual leave – closing balance	**704,055**	**688,551**	**581,686**	**585,020**
Non-current				
Provision for long service leave	647,806	619,495	617,647	604,030
Leave taken	(55,251)	(18,389)	(55,251)	(18,389)
Leave accrued	116,271	46,700	101,400	32,006
Long service leave – closing balance	**708,826**	**647,806**	**663,796**	**617,647**

Number of parent entity employees at year end	103	97
Number of full time equivalent employees at year end	92	88

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

17. Commitments

a. Operating leases

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Within one year	181,361	162,387	7,909	1,255
One to five years	717,422	-	9,228	-
	898,783	**162,387**	**17,137**	**1,255**

The Society maintains a motor vehicle under an operating lease. The Group commitments include motor vehicles and a tenancy agreement.

b. Capital expenditure commitments

Capital expenditure contracted for at 30 June 2011 but not provided for was nil (2010 – nil).

18. Related party transactions

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

	2011	2010
	$	$
Management fees paid by Lexon Insurance Pte Ltd to parent entity	285,000	260,000
Management fees paid by Law Claims Levy Fund to parent entity	20,000	20,000
Directors fees paid by Lexon Insurance Pte Ltd to parent entity	74,790	67,500
Gross premiums received by Lexon Insurance Pte Ltd from Law Claims Levy Fund	25,000,000	28,000,000
Professional fees paid to a firm of which a director is a member		
Legal fees in the provision of claim defence costs:		
- Coyne & Associates	855,307	879,764
- Flower & Hart	16,605	54,149
- Ferguson Cannon	-	2,040
Other non claim professional advice provided:		
- Coyne & Associates	37,208	23,488
- Flower & Hart	111,615	37,935
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
Commissions derived from renewal of insurance policies – Marsh (Qld) Pty Ltd	10,994	10,000

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

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 2010-11. Further information on these positions can be found in the body of the Annual Report.

Position	Person	Appointment date	Resignation date	Responsibility
President	Ian Berry	1/1/2009	31/12/2009	The role of the President is to lead the Council in setting the corporate direction and goals and monitoring the performance of the Society.
	Peter Eardley	1/1/2010	31/12/2010	
	Bruce Doyle	1/1/2011		
Vice-President	Peter Eardley	1/1/ 2009	31/12/2009	
	Raoul Guides	1/1/2010		
Deputy President	Bruce Doyle	1/1/2010	31/12/2010	
Chief Executive Officer	Noela L'Estrange	11/5/2009		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.

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 the Council.

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.
- Post-employment benefits include superannuation contributions.
- No redundancy payments were made during the year requiring disclosure.
- No performance bonuses were made during the year requiring disclosure.
- Other than disclosed below, council members do not receive any remuneration.

Notes to and forming part of the Financial Statements
For the year ended 30 June 2011

18. Related party transactions continued

b. Key executive management personnel continued

1 July 2010 – 30 June 2011

Position (dates if applicable)	Short-Term Employee Benefits: Base	Short-Term Employee Benefits: Non-Monetary Benefits	Long-Term Employee Benefits	Post-Employment Benefits	Termination Benefits	Total Remuneration
President (1 July 2010 – 31 December 2010)	109,000	-	-	-	-	**109,000**
President (1 January 2011 – 30 June 2011)	109,000	-	-	-	-	**109,000**
Deputy President (1 July 2010 – 31 December 2010)	36,333	-	-	-	-	**36,333**
Vice President (1 January 2011 – 30 June 2011)	36,333	-	-	-	-	**36,333**
Chief Executive Officer	321,291	10,840	1,876	29,043	-	**363,050**

1 July 2009 – 30 June 2010

Position (dates if applicable)	Short-Term Employee Benefits: Base	Short-Term Employee Benefits: Non-Monetary Benefits	Long-Term Employee Benefits	Post-Employment Benefits	Termination Benefits	Total Remuneration
President (1 July 2009 – 31 December 2009)	100,000	-	-	9,000	-	**109,000**
President (1 January 2010 – 30 June 2010)	109,000	-	-	-	-	**109,000**
Deputy President (1 January 2010 – 30 June 2010)	36,333	-	-	-	-	**36,333**
Vice President (1 July 2009 – 31 December 2009)	36,333	-	-	-	-	**36,333**
Chief Executive Officer	324,591	10,840	851	14,487	-	**350,770**

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.

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

20. Notes to the statement of cash flows

a. Reconciliation of cash

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

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Cash at bank	1,452,019	27,567,882	760,764	(214,165)
Cash deposit accounts	35,362,269	16,997,161	9,319,857	14,834,494
Cash included in cash flow statement	**36,814,288**	**44,565,043**	**10,080,621**	**14,620,329**
Term deposit	8,550,000	2,000,000	6,550,000	-
Total cash & cash equivalents	**45,364,288**	**46,565,043**	**16,630,621**	**14,620,329**

b. Financing facilities

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

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

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Surplus/(deficiency) for the year	9,113,685	13,626,071	1,158,170	3,476,583
Adjustments for:				
Investment income	(7,038,335)	(6,552,557)	-	-
Add/(less) non-cash items				
Depreciation	938,229	755,798	917,537	722,066
Change in assets and liabilities				
(Increase)/decrease in assets				
Accounts receivables	497,413	(687,310)	254,751	(342,652)
Increase/(decrease) in liabilities				
Accounts payables & unearned income	(3,378,861)	(3,016,133)	215,130	(361,480)
Employee benefits	76,524	56,667	42,815	22,046
Collections for society entities	-	-		
Provision for outstanding claims	(1,295,143)	(1,585,207)		
Tax related balances	47,987	2,662,381		
Net cash provided by/(used in) operating activities	**(1,038,501)**	**5,259,710**	**2,588,403**	**3,516,563**

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

21. Income tax expense

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Tax expense attributable to profit is made up of:				
Current income tax	662,218	59,162	-	-
Deferred income tax (Note 23)	221,874	829,423	-	-
	884,092	**888,585**	**-**	**-**
(Over)/Under Provision in preceding financial years				
Current income tax	2,626	982,795	-	-
	886,718	**1,871,380**	**-**	**-**

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 17 Feb 2006 to 16 Feb 2016 under the tax exemption scheme for captive insurers by the Monetary Authority of Singapore.

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

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Profit/(loss) before tax	10,000,403	15,497,451	-	-
Tax calculated at a tax rate of 30% (2010: 30%)	3,000,121	4,649,235	-	-
Effects of:				
Income not subject to tax	(1,931,104)	(2,746,259)	-	-
Prior years expenses brought to tax	-	(956,425)	-	-
Tax free distributions on investments (Note 23)	20,521	37,275	-	-
Utilisation of tax losses previously unrecognised	-	-	-	-
Franking credits available	(205,446)	(95,241)	-	-
	884,092	**888,585**	**-**	**-**

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

22. Current income tax liability

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Income tax at the beginning of the financial year	836,105	(996,853)	-	-
Income tax refunded/(paid)	(838,731)	791,001	-	-
Prior year under/(over) provision			-	-
- current year income tax	662,218	59,162	-	-
- deferred tax asset	2,626	982,795		
Income tax at the end of the financial year	**662,218**	**836,105**	**-**	**-**

23. Deferred income tax balances

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

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Net balance at beginning of the financial year	5,434,895	6,264,318	-	-
Current year tax charge to profit or loss	(221,874)	(829,423)	-	-
Net balance at end of the financial year	**5,213,021**	**5,434,895**	**-**	**-**

Notes to and forming part of the Financial Statements For the year ended 30 June 2011

23. Deferred income tax balances continued

The balance comprises temporary differences attributable to:

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	$	$	$	$
Deferred tax assets				
- Balance at beginning of the financial year	5,553,686	6,345,834	-	-
Charge to profit or loss				
- Claims handling provision	(74,705)	1,169,428	-	-
- Other timing differences	(46,616)	80,144	-	-
- Income losses carried forward	-	(1,431,163)	-	-
- Capital losses carried forward	(4,470)	404,678	-	-
- Unrealised investment losses	(125,575)	(1,064,151)	-	-
- Allowance for impairment of receivables	50,013	48,916	-	-
	5,352,333	**5,553,686**	**-**	**-**
Deferred tax liabilities				
- Balance at beginning of the financial year	(118,791)	(81,516)	-	-
Charge to equity				
- Gain/(loss) in fair value reserve	-	-	-	-
Charge to income statement				
- Tax-free distribution on Investments	(20,521)	(37,275)	-	-
	(139,312)	(118,791)	-	-
Net balance at end of the financial year	**5,213,021**	**5,434,895**	**-**	**-**

24. Events occurring after balance date

The Group has in place an investment policy statement that details its investment strategies. These strategies are put in place with a long-term time horizon in place and do not change as a result of short-term market movements. The current instability in the global financial markets has meant that the Group's investments have also been subjected to increased volatility. While management are of the view that the investment mandate shelters our investments from the full impact of the current volatility, our investments are nonetheless subject to current market movements.

The ASX has fluctuated significantly from 30 June 2011 and as such our equity holdings have also been negatively impacted. 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 given current movements. Other elements of our portfolio do not directly move with interest rate expectations or equity market movements.

While our portfolio fluctuates daily (refer Note 5 Investments), the overall value has declined by approximately two percent (after tax benefits) since 30 June 2011.

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; and

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; and

   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 2011 and of the financial position as at the close of that year.

President
Bruce Doyle

Chief Executive Officer
Noela L'Estrange

8 September 2011

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 Statement of Financial Position as at 30 June 2011, 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 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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

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

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

Independent Auditor's Report

To the Council of Queensland Law Society Incorporated

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

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

(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; and

  (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 for the financial year 1 July 2010 to 30 June 2011 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 for the year ended 30 June 2011. Where the financial report is included on Queensland Law Society Incorporated's website the Council is responsible for the integrity of Queensland Law Society Incorporated's website and I have not been engaged to report on the integrity of 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.

G P Smith.

Gary Paul SMITH, FCPA
(as Delegate of the Auditor-General of Queensland)

14 September 2011

Brisbane