

LEGAL CONTRIBUTION TRUST

**FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2011**

4th Floor
89 St Georges Terrace
Perth WA 6000

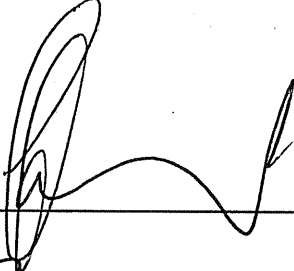
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Legal Contribution Trust


CERTIFICATION OF FINANCIAL STATEMENTS

The accompanying financial statements of the Legal Contribution Trust in Western Australia have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the six months ended 31 December 2011 and the financial position as at 31 December 2011.


Except for the effects detailed at Note 14, at the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



L Shervington (Signed)
TRUSTEE



C Ferrari (Signed)
TRUSTEE



L Follows (Signed)
Executive Manager - Corporate and Business Support

Date: 15/3/12





Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

LEGAL CONTRIBUTION TRUST

Report on the Financial Statements

I have audited the accounts and financial statements of the Legal Contribution Trust.

The financial statements comprise the Statement of Financial Position as at 31 December 2011, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the six months then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Trust's Responsibility for the Financial Statements

The Trust is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Trust determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Trust, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Under the provisions of the Legal Profession Act 2008, each practising solicitor is required to have a trust account at an approved deposit-taking institution (ADI). In accordance with section 387 of the Act, the Legal Contribution Trust is entitled to receive 51% of all interest earned on the solicitors' trust accounts held with ADIs in Western Australia. However, during 2010, it was identified that for some solicitor's trust accounts, ADIs have not remitted the correct amount of interest to the Legal Contribution Trust.

Legal Contribution Trust

As disclosed in Note 14 to the financial statements, legal advice obtained by the Legal Contribution Trust indicates that the Trust could seek to recoup unremitted interest dating back to 1 January 2004. At the present time, the Trustees are not able to quantify the amount of unremitted interest income that relates to the current and prior financial reporting periods. As a result, I am unable to obtain sufficient appropriate audit evidence about the amounts of Interest Receivable-Banks as at 31 December 2011 and Interest Earned on Legal Practitioners Trust Money for the six month period ended 31 December 2011. Consequently, I was unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Legal Contribution Trust at 31 December 2011 and its financial performance and cash flows for the six months then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Legal Contribution Trust. The Trust is responsible for ensuring that adequate control is maintained over the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Trust based on my audit conducted in accordance with Australian Auditing Standards.

Basis for Qualified Opinion

Controls over the entitlement to receive interest earned on solicitor's trust accounts did not ensure that all interest was received. As a consequence, for some solicitor's trust accounts, ADIs have not remitted the correct amount of interest to the Legal Contribution Trust.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the controls exercised by the Legal Contribution Trust are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Legal Contribution Trust. The Trust is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions.

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing Standards.

Legal Contribution Trust

Basis for Qualified Opinion

Due to the matter included in the Basis for Qualified Opinion in the Report on the Financial Statements segment of this report, I was unable to obtain sufficient appropriate audit evidence about the Operating Profit component of the efficiency performance indicator. Consequently, I am unable to determine whether the efficiency performance indicator was fairly presented.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the key performance indicators of the Legal Contribution Trust are relevant and appropriate to assist users to assess the Trust's performance and fairly represent indicated performance for the six months ended 31 December 2011.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and the Australian Auditing Standards, and other relevant ethical requirements.



COLIN MURPHY
AUDITOR GENERAL
19 March 2012

LEGAL CONTRIBUTION TRUST

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	NOTE	31 Dec 2011 \$	30 Jun 2011 \$
CURRENT ASSETS			
Cash and Cash Equivalents	8(a)	23,098,066	21,707,865
Receivables	6	1,229,202	641,888
Total Current Assets		<u>24,327,268</u>	<u>22,349,753</u>
NON-CURRENT ASSETS			
Plant & Equipment	7	-	-
Total Non-Current Assets		<u>-</u>	<u>-</u>
Total Assets		<u>24,327,268</u>	<u>22,349,753</u>
CURRENT LIABILITIES			
Payables		258,916	160,392
Provision for Claims	5	950,000	-
Total Payable to Beneficiaries	3(b)	4,018,352	3,089,358
Total Current Liabilities		<u>5,227,268</u>	<u>3,249,750</u>
Total Liabilities		<u>5,227,268</u>	<u>3,249,750</u>
Net Assets		<u>19,100,000</u>	<u>19,100,003</u>
EQUITY			
Retained earnings	3(a)	19,100,000	19,100,000
Total Equity		<u>19,100,000</u>	<u>19,100,000</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes.



LEGAL CONTRIBUTION TRUST

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2011

	NOTE	SIX MONTHS ENDING 31 Dec 2011 \$	SIX MONTHS ENDING 30 Jun 2011 \$
INCOME			
Interest earned on Legal Practitioners Trust Money		2,118,687	1,402,709
Contributions by legal practitioners pursuant to Section 146 of the Legal Profession Act (2008)		4,200	29,180
Sundry Income		7,982	242,620
Interest earned on Investments		641,199	580,212
Total Income		<u>2,772,068</u>	<u>2,254,721</u>
EXPENSES			
Administration Expenses		36,890	37,246
Insurance		4,600	-
Legal Fees		29,960	32,193
Temp Staff		5,664	-
Staff Training		1,632	-
External Audit Fees - Auditor General		43,100	28,844
Claims & Supervising Solicitors		1,052,716	62,237
Trust Account Inspector Service		200,173	187,210
Total Expenses		<u>1,374,735</u>	<u>347,730</u>
Profit for the period	3(a)	<u>1,397,333</u>	<u>1,906,991</u>
Total Comprehensive Income for the period		<u>1,397,333</u>	<u>1,906,991</u>

The Statement of Comprehensive Income should be read in conjunction with accompanying notes.



LEGAL CONTRIBUTION TRUST

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2011

	Retained Earnings \$	Total \$
Balance as at 31 December 2010	19,100,000	19,100,000
Profit for the Period	1,906,991	1,906,991
Total Comprehensive Income for the period	<u>1,906,991</u>	<u>1,906,991</u>
Surplus appropriated to beneficiaries	(1,906,991)	(1,906,991)
Balance as at 30 June 2011	<u>19,100,000</u>	<u>19,100,000</u>
Profit for the Period	<u>1,397,333</u>	<u>1,397,333</u>
Total Comprehensive Income for the period	1,397,333	1,397,333
Surplus appropriated to beneficiaries	(1,397,333)	(1,397,333)
Balance as at 31 December 2011	<u>19,100,000</u>	<u>19,100,000</u>

The Statement of Changes in Equity should be read in conjunction with accompanying notes.



LEGAL CONTRIBUTION TRUST

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2011

	Note	SIX MONTHS ENDING 31 Dec 2011 \$	SIX MONTHS ENDING 30 Jun 2011 \$
<i>Cash Flows From Operating Activities</i>			
Receipts			
Interest Received		2,109,268	1,922,359
Contributions by Legal Practitioners		31,960	2,140
Other Receipts		74,872	230,052
Payments			
Payments to Suppliers		<u>(357,560)</u>	<u>(401,339)</u>
<i>Net Cash Provided by Operating Activities</i>	8(b)	<u>1,858,540</u>	<u>1,753,212</u>
<i>Cash Flows from Financing Activities</i>			
Distribution of Surpluses to Beneficiaries	3(b)	<u>(468,339)</u>	<u>(1,863,595)</u>
<i>Net Cash used in Financing Activities</i>		<u>(468,339)</u>	<u>(1,863,595)</u>
<i>Net Increase/(Decrease) in cash & cash equivalents</i>		1,390,201	(110,382)
<i>Cash & cash equivalents at the beginning of the period</i>		<u>21,707,865</u>	<u>21,818,247</u>
<i>Cash & cash equivalents at the end of the period</i>	8(a)	<u>23,098,066</u>	<u>21,707,865</u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.



NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
31 DECEMBER 2011

1 (a) GENERAL STATEMENT

The Legal Contribution Trust is a statutory trust established in Western Australia by the Legal Profession Act 2008.
Registered Address

4th Floor
89 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9322 7877

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's instructions (TI). Accounting Standards include Australian equivalents to the International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Legal Contribution Trust ("Trust") comply with International Financial Reporting Standards ('IFRS'). Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording. For example, AASB 116 'Property Plant and Equipment' requires land and buildings to be measured at cost or fair value; TI 954 mandates the fair value option.

The Financial Management Act and the Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

The principal place of business of the Trust is the Administrative Offices of the Law Society of Western Australia, 89 St Georges Terrace, Perth.

(b) BASIS OF PREPARATION

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention. Historical cost is generally based on the consideration given in exchange for assets.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated. The financial report is presented in Australian dollars.

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

(c) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- (i) Where the amount of GST incurred is not recoverable from the Australian Taxation Office, it is recognised as part of the cost of acquisition of an asset or expense.
- (ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the Australian Taxation Office is included as part of receivables and payables.
Cash in flows and out flows are included in the cash flow statement on a gross basis.

(d) REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of consideration received or receivable.

Revenue is recognised for the major business activities as follows:

CONTRIBUTIONS REVENUE

The Legal Practice Board receives contributions from practitioners on behalf of the Solicitors Guarantee Fund ("SGF") in accordance with Section 337 of the Legal Profession Act 2008. The contributions are recognised as revenue by SGF when the contribution has been received by the Legal Practice Board.

INTEREST REVENUE

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

INVESTMENT INCOME

All interest income derived from investments held in the Solicitors Guarantee Fund is recognised as income of the Legal Contribution Trust. Investment Revenue is recognised on an effective yield basis allocating income over the relevant periods.



NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
31 DECEMBER 2011

(e) CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise cash in banks and investments in money market instruments. Bank Accepted Bills and Term Deposits are recorded at amortised costs using the effective interest rate method.

(g) IMPAIRMENT OF ASSETS

At each reporting date, the Trust reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless a relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where the impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) FINANCIAL INSTRUMENTS

In addition to cash, the Trust has two categories of financial instruments:

- Receivables; and
- Financial liabilities measured at amortised cost.

Receivables

Receivables are recognised initially at fair value, then at the amortised cost using the effective interest rate method as they are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful debts is raised where some doubts as to collection exists.

Payables

Payables, including accruals not yet billed, are recognised when the Trust becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days and interest free.

Initial recognition and measurement is at fair value net of transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment are impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Derecognition of financial assets and liabilities

The Trust derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Trust neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Trust recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Trust retains substantially all the risks and rewards of ownership of a transferred financial asset, the Trust continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Trust derecognises financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or they expire.



NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
31 DECEMBER 2011

(i) **PLANT & EQUIPMENT**
Plant & Equipment held is recognised at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition.

(j) **DEPRECIATION**
All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. Depreciation on assets is calculated using the straight line method, using rates which are reviewed annually. The estimated useful lives of computer equipment is 3-4 years.

(k) **CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**
Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form a basis of making the judgement. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements estimates with significant risk of material adjustment in the next year are disclosed where applicable in the relevant notes to the financial statements.

(l) **ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**
In the current period, the Trust has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Any details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out above.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1-Jan-13	30-Jun-14
AASB 10 'Consolidated Financial Statements' supersedes requirements under AASB 127 'Consolidated and Separate Financial Statements' and Interpretation 112 'Consolidation - Special Purpose Entities'	1-Jan-13	30-Jun-14
AASB 13 'Fair Value Measurement' and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1-Jan-13	30-Jun-14
AASB 119 'Employee Benefits' supersedes AASB 119 'Employee Benefits'	1-Jan-13	30-Jun-14
AASB 127 'Separate Financial Statements' supersedes requirements under AASB 127 'Consolidated and Separate Financial Statements'	1-Jan-13	30-Jun-14
AASB 1053 'Application of Tiers of Australian Accounting Standards'	1-Jul-13	30-Jun-14
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1-Jan-13	30-Jun-14
AASB 2010-2 Amendments to Australian Accounting Standards arising from 'Reduced Disclosure Requirements'	1-Jul-13	30-Jun-14
AASB 2011-2 Amendments to Australian Accounting Standards arising from the 'Trans-Tasman Convergence Project - Reduced Disclosure Requirements'	1-Jul-13	30-Jun-14
AASB 2011-6 Amendments to Australian Accounting Standards - 'Extending Relief from Consolidation', the 'Equity Method' and 'Proportionate Consolidation - Reduced Disclosure Requirements'	1-Jul-13	30-Jun-14
AASB 2011-8 Amendments to Australia Accounting Standards arising from AASB 13	1-Jan-13	30-Jun-14
AASB 2011-9 Amendments to Australian Accounting Standards - 'Presentation of Items of Other Comprehensive Income'	1-Jul-12	30-Jun-13
AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119	1-Jan-13	30-Jun-14



**NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
31 DECEMBER 2011**

AASB 2011-11 Amendments to AASB 119 arising from 'Reduce Disclosure Requirements'

1-Jul-13

30-Jun-14

2 REPEAL OF THE LEGAL CONTRIBUTION TRUST ACT 1967

These Standards and Interpretations will be first applied in the financial report of the Trust that relates to the annual reporting period beginning after the effective date of each pronouncement.

In January 2009 the Legal Contribution Trust Act 1967 was repealed and replaced by the Legal Profession Act 2008 (Part 12 Fidelity Cover). There have been no substantial changes to the legislation in regards to the operation of the Trust.

3 (a) OPERATING PROFIT AVAILABLE FOR APPROPRIATION

The profit for the six month period ended 31 December 2011 was \$1,397,333

	<u>31 Dec 2011</u>	<u>30 Jun 2011</u>
Retained earnings	\$	\$
Opening balance	19,100,000	19,100,000
Profit for the period	1,397,333	1,906,991
Amounts distributed to beneficiaries as defined by the Legal Professional Act 2008	<u>(1,397,333)</u>	<u>(1,906,991)</u>
Closing Balance	<u>19,100,000</u>	<u>19,100,000</u>

Total profits appropriated in both the current and prior periods but not yet paid as at 31 December 2011 amounted to \$4,018,352 (30 June 2011: \$3,089,358) This amount is disclosed as a current liability as profits are recognised as having been appropriated in the period in which the obligation to distribute profits arises under the Legal Profession Act 2008 (part 12 Fidelity Cover).

(b) Total Payable to Beneficiaries

	<u>31 Dec 2011</u>	<u>30 Jun 2011</u>
Surpluses Payable to Beneficiaries - 1 July 2011/1 January 2011	\$ 3,089,358	\$ 3,045,962
Paid to Beneficiaries during the period	(468,339)	(1,863,595)
Surplus Appropriated to Beneficiaries - 31 December 2011/ 30 June 2011	<u>1,397,333</u>	<u>1,906,991</u>
Closing Balance	<u>4,018,352</u>	<u>3,089,358</u>

Explanatory Statement

Comparison of Actual Results with those of the preceding 6 months.

Variations between actual revenue and expenditure and those of the preceding period greater than \$83,379 or to 5% of Net Profit are considered significant.

Income	<u>31 Dec 2011</u>	<u>30 Jun 2011</u>	<u>Increase/(Decrease)</u>	<u>%</u>
Interest earned on Solicitors Trust Money	\$2,118,687	\$1,402,709	\$715,978	51%
Interest earned on Investments	\$641,199	\$580,212	\$60,987	11%

4 CONTINGENT ASSETS AND LIABILITIES

A contingent asset exists in relation to interest receivable on solicitor trust accounts as detailed in Note 15.

There are no contingent liabilities as at 31 December 2011.

5 PROVISION FOR CLAIMS

Claims approved for payment by the Trustees in part or full prior to 31 December 2011

December 2011		June 2011	
No. of Claims	Value \$	No. of Claims	Value \$
1	\$950,000	0	\$0

The Provision for Claims at 31 December 2011 is \$950,000 (June 2011 - \$Nil)



LEGAL CONTRIBUTION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	31 Dec 11	30 Jun 11
	\$	\$
6. RECEIVABLES		
Goods & Services Tax	9,885	40,840
Interest Receivable - Banks	1,204,070	553,454
Sundry Debtors	15,247	47,594
	<u>1,229,202</u>	<u>641,888</u>
7. PLANT AND EQUIPMENT		
Computer Equipment at Cost	10,049	10,049
Accumulated Depreciation	(10,049)	(10,049)
	-	-
<i>Gross Carrying Amount</i>		
Opening Balance	10,049	10,049
Additions	-	-
Closing Balance	<u>10,049</u>	<u>10,049</u>
<i>Accumulated Depreciation</i>		
Opening Balance	10,049	10,049
Depreciation Expense	-	-
Closing Balance	<u>10,049</u>	<u>10,049</u>

8. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

For the purpose of the Statement of Cashflows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments and restricted cash resources. Cash and cash equivalents at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash & Deposits at Call	1,747,761	1,024,041
Bank Accepted Bills & Term Deposits	21,350,305	20,683,824
	<u>23,098,066</u>	<u>21,707,865</u>
Represented by:		
Cash and Cash Equivalents	23,098,066	21,707,865
	<u>23,098,066</u>	<u>21,707,865</u>

(b) Reconciliation of Profit For the Period to Net Cash Flows from Operating Activities

Profit for the period	1,397,333	1,906,991
<i>Decrease/(Increase) in Assets:</i>		
Receivables	(587,316)	(118,419)
<i>Increase/(Decrease) in Liabilities:</i>		
Payables	1,048,523	(35,360)
	<u>1,858,540</u>	<u>1,753,212</u>
Net cash provided by operating activities		



THE LEGAL CONTRIBUTION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
31 DECEMBER 2011

9 FINANCIAL INSTRUMENTS

The Legal Contribution Trust does not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

All financial assets and liabilities are recorded at fair value determined in accordance with the accounting policies disclosed in note 1.

(a) Credit Risk Management

Credit risk arises when there is the possibility of the Trust's receivables defaulting on their contractual obligations resulting in financial loss to the Trust. The Trust measures credit risk on a fair value basis and monitors risk on a regular basis. The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table below.

The Trust trades only with recognised, creditworthy third parties. The Trust has policies in place to ensure that transactions and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Trust's exposure to bad debts is minimal. There is no significant credit risk exposure to any single third party. The credit risk on cash and financial instruments is limited as they are placed with reputable Australian Banks only with high credit ratings.

All amounts receivable are expected to be received within 30 days. Interest is not charged on outstanding amounts.

There are no financial assets that are either past due or impaired.

(b) Liquidity Risk Management

The Trust is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Trust is unable to meet its financial obligations as they fall due. The Trust's objective is to maintain a balance between continuity of funding and flexibility through the use of its significant cash and cash equivalents. The Trust has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments. Investments are entered into giving consideration to the appropriate investment terms in order to meet the Trust's liquidity requirements.

Trade Payable and Accrued Expenses relate to amounts to be paid in the future for goods and services received, whether or not invoiced to the Trust. Payables are normally settled within 30 days from the date of the invoice and no interest is incurred on these accounts. No interest is incurred on the surpluses payable to the beneficiaries. Beneficiaries are paid as and when instructed by the Attorney General.

(c) Short Term Money Market Securities and Deposits At Call

Short term money market securities and deposits at call are recorded at amortised cost using the effective interest rate method.

(d) Market Risk

The Trust does not trade in foreign currency and is not materially exposed to other price risks. The Trust's exposure to market risk for changes in interest rates relate primarily to the investments held in bank accepted bills and term deposits. The Trust has no borrowings. The risk is managed by SGF through portfolio diversification and variation in maturity dates. Other than as detailed in the interest rate sensitivity analysis table below, the Trust has limited exposure to interest rate risk.

Interest Rate Sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Trust's financial assets and liabilities at the balance sheet date on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

The Trust is sensitive to changes in interest rates as the majority of its income is derived from interest on solicitors trust accounts or interest on investments. This risk is managed by investing funds in a range of banks with high credit ratings. The Trust has also established an investment policy.

31 December 2011	Weighted average Effective Interest Rate	Variable Interest Rate	Maturity 1 Year or Less	Total Carrying Amount	-1% change Profit	+1% change Equity	-1% change Profit	+1% change Equity	Non Interest bearing
Assets									
Cash Resources									
-Bank Deposits	4.58%	\$1,747,761	-	\$1,747,761	-\$17,478	-	\$17,478	-	-
Investments									
- Term Deposits	5.78%	-	\$12,593,936	\$12,593,936	-\$125,939	-	\$125,939	-	-
- Bank Accepted Bills	5.75%	-	\$8,756,369	\$8,756,369	-\$87,564	-	\$87,564	-	-
Receivables									\$1,229,202
		\$1,747,761	\$21,350,305	\$23,098,066	-\$230,981	-	\$230,981	-	\$1,229,202
Liabilities									
Payables									\$4,277,268
		-	-	-	-	-	-	-	\$4,277,268



THE LEGAL CONTRIBUTION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
31 DECEMBER 2011

30 June 2011	Weighted average Effective Interest Rate	Variable Interest Rate	Maturity 1 Year or Less	Total Carrying Amount	-1% change Profit	-1% change Equity	+1% change Profit	+1% change Equity	Non Interest bearing
Assets									
Cash Resources									
-Bank Deposits	4.15%	\$1,024,041	-	\$1,024,041	-\$10,240	-	\$10,240	-	-
Investments									
- Term Deposits	5.92%	-	\$13,283,758	\$13,283,758	-\$132,838	-	\$132,838	-	-
- Bank Accepted Bills	5.45%	-	\$7,400,066	\$7,400,066	-\$74,001	-	\$74,001	-	-
Receivables									\$641,888
		\$1,024,041	\$20,683,824	\$21,707,865	-\$217,079	-	\$217,079	-	\$641,888
Liabilities									
Payables									\$3,249,750
									\$3,249,750

10 REMUNERATION OF AUDITORS

	31 Dec 11	30 Jun 11
Audit fees for the period to the Office of the Auditor General	<u>\$21,200</u>	<u>\$28,844</u>

11 SOLICITORS GUARANTEE FUND

The Solicitors Guarantee Fund (SGF) is created under Part 12 of the Legal Profession Act 2008 (the Act). The value of the Solicitors Guarantee Fund forms part of the assets and liabilities of the Legal Contribution Trust and are disclosed in the Statement of Financial Position, Statement of Comprehensive Income and the accompanying notes.

Pursuant to Section 399 (1) (c) of the Act the Trust controls and administers the Solicitors Guarantee Fund. It is from the Solicitors Guarantee Fund, that claims are settled and costs incurred in administering claims are paid.

The Solicitors Guarantee Fund contribution to the overall operating profit was \$598,971 being interest earned on investments.

The maximum value of the Solicitors Guarantee Fund is set by the Attorney General pursuant to Section 388 of the Act. The maximum value of the Solicitors Guarantee Fund has been set by the Attorney General at \$19,100,000.

Income earned by the Legal Contribution Trust is retained as part of the Solicitors Guarantee Fund until it reaches its maximum balance. Income in excess of the maximum balance is appropriated to external beneficiaries pursuant to Section 388 of the Act.

The current balance appropriated to external beneficiaries but not yet paid is \$4,018,352. (30 June 2011: \$3,089,358)

12 SOLICITORS GUARANTEE FUND - SUPPLEMENTARY STATEMENT

The Statement of Financial Position and Statement of Comprehensive Income of the Solicitors Guarantee Fund are presented as a supplement to the financial statements of the Trust as disclosed on page 16-17.

The financial information in the attached supplements form part of the balance included in the Legal Contribution Trust financial statements for 31 December 2011.

13 SUBSEQUENT EVENTS

Except for the matter detailed at Note 15, there has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect, the operations of the Trust, the results of those operations, or the state of affairs of the Trust in the future financial periods.

14 RECOGNITION OF INTEREST RECEIVED ON SOLICITOR TRUST ACCOUNTS

It has been identified that in certain cases the Financial Institutions have not remitted the appropriate amount of interest on some solicitors trust accounts because of incorrect "product" descriptions being applied to certain solicitor trust accounts when they were opened. The Trust is reliant on the banks and the Legal Practice Board to identify all solicitor trust accounts. Legal advice has been sought on this matter and negotiations have commenced with the banks to identify all trust accounts affected in order to calculate interest owing to the Trust. Management's legal advice indicates that the Trust could seek to recoup unremitted interest since 1 January 2004. It is likely that this will result in additional income from interest on solicitor trust accounts to be recognised in the financial statements. As at the date of this report, management are not able to quantify the amount of unremitted interest income that relates to the current and prior financial periods. During the period there were no payments received from banks in relation to this matter. During the period, a portion of outstanding interest was accrued on the basis of correspondence with the banks.

15 COMMITMENTS

There are no capital or other commitments (31 December 2011: \$Nil).



THE LEGAL CONTRIBUTION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

SOLICITORS GUARANTEE FUND

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	31 Dec 2011	30 Jun 2011
	\$	\$
CURRENT ASSETS		
Cash & Cash Equivalents	19,389,932	20,072,993
Receivables	294,228	365,372
Total Current Assets	<u>19,684,160</u>	<u>20,438,365</u>
Total Assets	<u>19,684,160</u>	<u>20,438,365</u>
CURRENT LIABILITIES		
Legal Contribution Trust - Appropriation Payable	(422,163)	1,286,217
Provision for Claims	950,000	-
Payables	56,323	52,149
Total Current Liabilities	<u>584,160</u>	<u>1,338,366</u>
Total Liabilities	<u>584,160</u>	<u>1,338,366</u>
Net Assets	<u>19,100,000</u>	<u>19,100,000</u>
EQUITY		
Retained earnings	<u>19,100,000</u>	<u>19,100,000</u>
Total Equity	<u>19,100,000</u>	<u>19,100,000</u>



LEGAL CONTRIBUTION TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

SOLICITORS GUARANTEE FUND**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2011**

	Six Months Ending 31 Dec 2011 \$	Six Months Ending 30 Jun 2011 \$
INCOME		
Contributions by legal practitioners pursuant to Section 42 of the Legal Profession Act (2008)	4,200	29,180
Interest on Investments	594,771	532,338
Total Income	<u>598,971</u>	<u>561,518</u>
EXPENSES		
Appropriation to Legal Contribution Trust	(453,775)	499,251
General Administration	30	30
Claims	950,000	
Supervising Solicitors	102,716	62,237
Total Expenses	<u>598,971</u>	<u>561,518</u>
Total Profit for the period	<u>-</u>	<u>-</u>
Total Comprehensive Income for the period	<u>-</u>	<u>-</u>



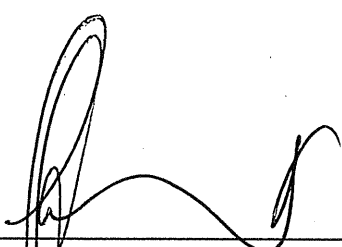
4th Floor
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Telephone (08) 9322 7877
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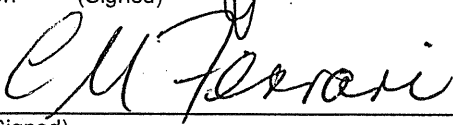
Legal Contribution Trust

CERTIFICATION OF PERFORMANCE INDICATORS

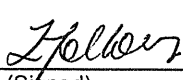
Except for the effects detailed at Note 14, we hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Legal Contribution Trust's performance, and fairly represent the performance of the Legal Contribution Trust for the six months ended 31 December 2011.



L Shervington (Signed)
TRUSTEE



C Ferrari (Signed)
TRUSTEE



L Follows (Signed)
Executive Manager - Corporate and Business Support

Date: 15/3/12



LEGAL CONTRIBUTION TRUST

PERFORMANCE INDICATORS

The target outcome of the Legal Contribution Trust is the application to public purposes of moneys resulting from its operating profit.

The Act directs that the operating profit be applied to the Solicitors Guarantee Fund until the Fund reaches its maximum balance set by the Attorney General. Of additional profits, 50% is applied to the Legal Aid Commission and the remaining 50% to the Law Society of Western Australia, Community Legal Centres and other bodies in such sums as is agreed between the Minister and the Society from time to time.

The money applied to the Solicitors Guarantee Fund is held for the purpose of compensating persons who suffer pecuniary loss as the result of stealing or fraudulent conversion of property entrusted to legal practitioners for their benefit.

INDICATORS

EFFECTIVENESS

The impact of the LCT allocation on the size of the Solicitors Guarantee Fund.

SIX MONTH PERIOD ENDED	LCT PROFIT RETAINED IN SGF OR DISTRIBUTED TO BENEFICIARIES	PERCENTAGE OF OPERATING PROFIT APPROPRIATED TO SGF	TOTAL SGF FUNDS
	\$		\$
Jun 2010	1,572,069	0%	19,100,000
Dec 2010	1,572,069	0%	19,100,000
Jun 2011	1,906,991	0%	19,100,000
Dec 2011	1,397,333	0%	19,100,000

Note: Effective from June 2008, the Attorney General increased the maximum allowable balance of the Solicitors Guarantee Fund to \$19,100,000.



LEGAL CONTRIBUTION TRUST

PERFORMANCE INDICATORS

EFFICIENCY

Operating Profit distributed to beneficiaries

The following table shows the percentage of gross revenue of the Legal Contribution Trust (excluding income and expenses relating to the Solicitors Guarantee Fund) appropriated to the beneficiaries named in the Act as the designated beneficiaries. The greater the percentage of gross revenue available for appropriation the greater the efficiency.

SIX MONTHS ENDED	GROSS REVENUE INCLUDING EXTRAORDINARY ITEMS	EXPENSES	OPERATING PROFIT	PERCENTAGE OF GROSS REVENUE AVAILABLE FOR RETENTION OR APPROPRIATION TO NOMINATED BENEFICIARIES
	\$	\$	\$	
Jun 2010	1,667,696	424,173	1,243,523	75%
Dec 2010	1,980,720	408,651	1,572,069	79%
Jun 2011	2,254,721	347,730	1,906,991	85%
Dec 2011	2,772,068	1,374,735	1,397,333	50%

