FINANCES

Comprising the results of Queensland Law Society Incorporated (parent entity), the Law Claims Levy Fund (LCLF) and QLS's wholly owned subsidiary, Lexon Insurance Pte Ltd (Lexon) and QLS Solicitor Support Pty Ltd

Our financial performance

Group results

In 2019-20, the Group made an operating deficit of $10.2m after tax and net assets at 30 June 2020 were 148.7m, a decrease of $10.2m from the previous year.

There was a $7m impact in the group financial statements due to the COVID-19 relief package provided to the legal profession in Queensland which included a 20% subsidy on Professional Indemnity Insurance for Lexon insureds for the 2020-21 financial year. Due to the inter-relationship between the LCLF and Lexon, this is reflected in the unearned premium in LCLF and the unearned premium reserve in Lexon. This is a unique situation in the 2019-20 financial year.

Increased retained surpluses over a number of years has supported the Group's ability to take advantage of opportunities to deliver strategic improvements for members, including major projects in information management. These are ongoing and on track to deliver benefits within the 2020-21 year.

The impact of COVID-19 was felt across the Group in the March to June 2020 period of 2019-20. This saw most revenue lines remain static with the exception of investments which were negatively impacted. Insurance levies increased by $1.4m which offset the increase in Insurance Claim expenses of $1.5m.

Investment returns (distributions plus fair value movements through profit or loss) reduced from $6.8m in 2018-19 to negative $0.4m. This was caused by the significant volatility in the market caused by COVID-19. Investment income reduced by $2.9m compared with the previous year.

Employee expenses for the Group increased by $0.6m or 4% while overall group expenses increased by $6.5m due to the $7m impact of the Insurance subsidy provided to the profession as noted above.

Insurance scheme

Insurance scheme results are from Lexon and the LCLF. The scheme recorded an operating deficit before tax of $9.5m (2019: $5.3m). While levy rates remained unchanged at their lowest rates, the increased gross fee income of the profession combined with greater take up in top up contributed to a growth of $1.4m in levies being collected. Claims expenses increased to $21.2m (2019: $19.3m).

Queensland Law Society Incorporated (parent)

Queensland Law Society Incorporated exceeded its overall financial targets, with a surplus of $0.7m achieved against a budgeted deficit of $1.1m including spend on projects. $0.5m of the savings against budget related to the Information Management program of works (see below). QLS's results were significantly impacted by the COVID-19 pandemic with various conferences and events not being able to be held, reducing both revenue and costs. There was also underspend in employee costs of $0.5m compared to budget.

Information Management (IM) program of works

The Council have previously approved $3.8m to be drawn down from the Society's accumulated surpluses in order to fund major information management programs that will improve QLS's core systems and processes, thus providing benefits to our members. The key initiatives are a new membership database, website, learning management system and electronic document and records management system. During 2019-20 Council approved an additional $0.4m to ensure adequate completion of these programs of work. At the end of the 2019-20 financial year, there is a remaining $2.0m to be spent in the 2020-21 financial year.

Assets

Parent net assets at 30 June 2020 were $66.5m, an increase of $$0.7m, due to the year's operating surplus.

Revenue

All revenue lines remained relatively static in 2019-20 compared to 2018-19. It should be noted though that COVID-19 impacted QLS's learning and member events in the last quarter of the financial year, reducing revenue.

Expenses

All expense lines also remained relatively static in 2019-20 compared to the prior year. COVID-19 significantly impacted expenses in the last quarter of the year due to the events planned that were unable to go ahead. These savings were offset by the additional expenditure on the Information Management programs in the 2019-20 year compared to 2018-19.

QUEENSLAND LAW SOCIETY INCORPORATED

Consolidated Financial Report
For the year ended 30 June 2020

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Queensland Law Society Incorporated
Consolidated Financial Report

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Queensland Law Society Incorporated

Statement of Comprehensive Income for the year ended 30 June 2020

	NOTE	Consolidated 2020 Actual $'000	Consolidated 2019 Actual $'000	Parent Entity 2020 Actual $'000	Parent Entity 2019 Actual $'000
Revenue					
Fees and membership services	B1-1	17,278	17,282	17,297	17,299
Rent and administration revenue	B1-2	481	461	1,016	983
Grants and funding	B1-3	123	209	851	731
Insurance levies	B1-4	24,425	23,019	-	-
Investment income	B1-5	4,468	7,329	522	725
Realised gains/(losses) on investments	C4	-	320	-	-
Fair value gains/(losses) on investments	C4	(4,835)	(566)	-	-
Other income		316	231	282	272
Total revenue		**42,256**	**48,285**	**19,968**	**20,010**
Expenses					
Membership services and events	B2-1	2,711	2,607	2,682	2,547
Administration expenses	B2-2	7,510	7,120	4,859	4,290
Employee expenses	B2-3	14,569	13,940	10,541	10,873
Depreciation and amortisation	C5	1,478	1,241	1,253	1,189
Insurance claims	B1-4	19,477	17,930	-	-
Unearned premium reserves	C8-2(b)	4,593	1,178	-	-
Reinsurance costs	B1-4	1,422	1,265	-	-
Stamp duty	B1-4	1,922	1,855	-	-
Brokerage fees		130	130	-	-
Total expenses		**53,812**	**47,266**	**19,335**	**18,899**
Operating (deficit)/surplus before income tax		**(11,556)**	**1,019**	**633**	**1,111**
Income tax credit	F1-1	1,314	804	-	-
Operating (deficit)/surplus after income tax		**(10,242)**	**1,823**	**633**	**1,111**
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to operating result Increase/(decrease) in asset revaluation surplus	C5	79	106	79	106
Total comprehensive income		**(10,163)**	**1,929**	**712**	**1,217**

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Statement of Financial Position as at 30 June 2020

		Consolidated		Parent Entity	
		2020	2019	2020	2019
	NOTE	$'000	$'000	$'000	$'000
Current assets					
Cash and cash equivalents	C1	59,773	67,970	34,742	33,398
Receivables	C2	1,550	882	666	564
Income tax receivable	F1-2	291	271	-	-
Reinsurers' share of unearned premiums	C8-2(b)	1,674	1,366	-	-
Insurance contract liabilities ceded	C8-2(a)	250	93	-	-
Total current assets		**63,538**	**70,582**	**35,408**	**33,962**
Non-current assets					
Investment in controlled entities	C3	-	-	19,000	19,000
Investments	C4	179,478	180,559	-	-
Property, plant and equipment	C5	29,632	30,128	29,330	30,011
Deferred tax assets	F1-3	6,313	4,986	-	-
Insurance contract liabilities ceded	C8-2(a)	451	638	-	-
Total non-current assets		**215,874**	**216,311**	**48,330**	**49,011**
TOTAL ASSETS		**279,412**	**286,893**	**83,738**	**82,973**
Current liabilities					
Payables	C6	32,587	40,965	15,886	16,018
Accrued employee benefits	C7	1,688	1,457	1,154	970
Unearned premium reserves	C8-2(b)	11,131	6,538	-	-
Income tax payable	F1-2	-	-	-	-
Provision for outstanding claims	C8-2(a)	17,022	15,635	-	-
Total current liabilities		**62,428**	**64,595**	**17,040**	**16,988**
Non-current liabilities					
Accrued employee benefits	C7	252	208	187	186
Provision for outstanding claims	C8-2(a)	68,016	63,179	-	-
Total non-current liabilities		**68,268**	**63,387**	**187**	**186**
TOTAL LIABILITIES		**130,696**	**127,982**	**17,227**	**17,174**
NET ASSETS		**148,716**	**158,911**	**66,511**	**65,799**
EQUITY					
Share capital		-	-	-	-
Accumulated surplus		123,154	133,428	40,949	40,316
Asset revaluation surplus		25,562	25,483	25,562	25,483
TOTAL EQUITY		**148,716**	**158,911**	**66,511**	**65,799**

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Statement of Changes in Equity for the year ended 30 June 2020

Consolidated	NOTE	Asset Revaluation Surplus $'000	Accumulated Surplus $'000	TOTAL $'000
Balance as at 1 July 2018		**25,377**	**131,605**	**156,982**
Operating result				
Operating surplus after income tax		-	1,823	1,823
Other comprehensive income				
Increase in asset revaluation surplus	C5-1	106	-	106
Balance as at 30 June 2019		**25,483**	**133,428**	**158,911**
Adoption of AASB16	E3		(32)	(32)
Restated 1 July 2019			**133,396**	**158,879**
Operating result				
Operating surplus after income tax		-	(10,242)	(10,242)
Other comprehensive income				
Increase in asset revaluation surplus	C5-1	79	-	79
Balance as at 30 June 2020		**25,562**	**123,154**	**148,716**

Parent Entity	NOTE	Asset Revaluation Surplus $'000	Accumulated Surplus $'000	TOTAL $'000
Balance as at 1 July 2018		**25,377**	**39,205**	**64,582**
Operating result				
Operating surplus after income tax		-	1,111	1,111
Other comprehensive income				
Increase in asset revaluation surplus	C5-2	106	-	106
Balance as at 30 June 2019		**25,483**	**40,316**	**65,799**
Operating result				
Operating surplus after income tax		-	633	633
Other comprehensive income				
Increase in asset revaluation surplus	C5-2	79	-	79
Balance as at 30 June 2020		**25,562**	**40,949**	**66,511**

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Statement of Cash Flows for the year ended 30 June 2020

	NOTE	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent Entity 2020 $'000	Parent Entity 2019 $'000
Cash flows from operating activities					
Receipts from the profession		36,442	39,984	18,522	18,559
Receipts from commissions and funding		274	371	1,026	893
Payments to suppliers and employees		(31,184)	(24,547)	(21,729)	(16,999)
Receipts collected for Society entities		-	-	24,424	23,019
Payments to Society entities		-	-	(20,030)	(23,954)
Receipts collected for Legal Practitioners' Fidelity Guarantee Fund		261	379	261	379
Payments to Legal Practitioners' Fidelity Guarantee Fund		(261)	(379)	(261)	(379)
Reinsurance payments		(1,423)	(1,266)	-	-
Claims and claims related payments		(14,114)	(10,609)	-	-
Interest received		714	1,071	522	725
GST receipts		2,799	3,419	747	995
GST paid to ATO		(1,044)	(2,102)	(1,645)	(2,046)
Income tax paid	F1-2	(19)	769	-	-
Net cash (used in)/generated from operating activities	**C1**	**(7,555)**	**7,090**	**1,837**	**1,192**
Cash flows from investing activities					
Purchase of investments	C4	(2,840)	(36,027)	-	-
Proceeds from investment redemptions	C4	-	36,027	-	-
Cash distributions received		2,775	-	-	-
Proceeds from disposal of property, plant and equipment		-	-	-	-
Payments for property, plant and equipment	C5	(577)	(524)	(493)	(468)
Net cash generated from/(used in) investing activities		**(642)**	**(524)**	**(493)**	**(468)**
Net increase/(decrease) in cash and cash equivalents held		**(8,197)**	**6,566**	**1,344**	**724**
Cash and cash equivalents at the beginning of the year		**67,970**	**61,404**	**33,398**	**32,674**
Cash and cash equivalents at the end of the year	**C1**	**59,773**	**67,970**	**34,742**	**33,398**

The accompanying notes form part of these statements.

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

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

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The Society and its controlled entities (the Group) has prepared these financial statements in compliance with section 39 of the *Financial and Performance Management Standard 2019*. The financial statements comply with the Queensland Treasury's minimum Financial Reporting Requirements (FRR) for reporting periods beginning on or after 1 July 2019.

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

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note E3.

A1-3 PRESENTATION

Currency and rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest $1,000 or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

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.

Comparatives

Comparative information reflects the audited 2018-19 financial statements.

Current/non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within twelve (12) months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within twelve (12) months after the reporting date, or the Group does not have an unconditional right to defer settlement to beyond twelve (12) months after the reporting date.

All other assets and liabilities are classified as 'non-current'.

A1-4 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by the President and Chief Executive Officer of the Society at the date of signing the management certificate.

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-5 BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except for the following:

- strata title building which is measured at fair value;
- investments which are measured at fair value; and
- accrued employee benefits expected to be settled 12 or more months after reporting date, which are measured at their present value.

Historical cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value

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

Fair value is determined using one of the following three approaches:

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.
- The *income approach* converts multiple future cash flows amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

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

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

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

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-5 BASIS OF MEASUREMENT (continued)

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

- level 1 – represents fair market value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;

- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and

- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

The portfolio of financial instruments held consists of collective investment schemes. The fair value of the financial instruments is determined using the closing unit price quoted by the investment manager adjusted for fees.

There were no transfers of assets between fair value hierarchy levels during the period.

More specific fair value information about the Society's investments and strata title building is outlined in Notes C4 and C5, respectively.

Present value

Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future cash outflows expected to settle (in respect of liabilities) in the normal course of business.

A1-6 THE REPORTING ENTITY

The consolidated financial statements include all income, expenses, assets, liabilities and equity of the Society ("Parent Entity") and the entities it controls where these entities are material (refer to Note A3). The controlled entities are QLS Solicitor Support Pty Ltd (QSS), the Law Claims Levy Fund (LCLF) and Lexon Insurance Pte Ltd (Lexon). The Parent Entity and the controlled entities are referred to as "the Group". All transactions and balances internal to the Group have been eliminated in full.

The Parent Entity financial statements include all income, expenses, assets, liabilities and equity of the Society only.

A2 THE SOCIETY'S OBJECTIVES

The Society is responsible for specific statutory obligations under the *Legal Profession Act 2007 (*Qld*)* which includes the issuance of practising certificates, maintenance of solicitors' records, and regulating the operation of solicitors' trust account records. The Society also provides membership services and events, continuing professional education, advisory support to members and the general public, and administers funds under the control of the Group, which extends to providing general insurance and services as licensed under the *Singapore Insurance Act*.

Major sources of income for the Group include annual fees for practising certificates and membership, continuing professional education to the legal profession, investment income, and insurance levies.

A3 CONTROLLED ENTITIES

The Society wholly controlled the following entities at the reporting date:

- QLS Solicitor Support Pty Ltd (QSS): QSS commenced in October 2019 and provides legal services for the delivery of guidance, support and counsel to members of the Society and other legal practitioners on ethical and legal practice management issues. QSS also provides education and publications on legal ethics to the legal profession and practice management members of the Society and other legal practitioners.

- Law Claims Levy Fund (LCLF): LCLF is responsible for the management of professional indemnity claims of practitioners for the years 1987 to 1995, and the administration of insurance matters (jointly with Lexon Insurance Pte Ltd) in accordance with the Queensland Law Society Indemnity Rule 2005. LCLF was wholly controlled for the whole year.

- Lexon Insurance Pte Ltd (Lexon): This Company was established on 23 June 2001 in Singapore and is 100% owned by the Society. The principal activity of Lexon is that of a captive insurer providing professional indemnity insurance to members of the Queensland legal profession via a Master Policy with the Society. Lexon was wholly controlled for the whole year.

Details of controlled entities are outlined below:

2019-20

Name of Entity	Controlling Interest %	Total Assets $m	Total Liabilities $m	Total Revenue $m	Operating Results $m
Law Claims Levy Fund	100	78.1	19.0	24.2	(1.0)
Lexon Insurance Pte Ltd	100	166.2	116.8	22.0	(2.7)
QLS Solicitor Support	100	0.0	0.0	1.3	0.0

2018-19

Name of Entity	Controlling Interest %	Total Assets $m	Total Liabilities $m	Total Revenue $m	Operating Results $m
Law Claims Levy Fund	100	83.1	23.0	25.7	2.2
Lexon Insurance Pte Ltd	100	162.0	109.9	21.7	(1.5)

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 Group 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.

B1 REVENUE

B1-1 FEES AND MEMBERSHIP SERVICES

Memberships and practitioner fees are recognised as revenue within the period. Prepayment of fees is recognised as income in advance.

Membership services and events income is recognised as revenue when the service or event occurs. Prepayment of membership services and events is recognised as income in advance.

The adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* in 2019-20 did not change the timing of revenue recognition for Fees and Membership Services.

COVID-19 has not materially impacted the fees and membership services revenue in 2019-20, it will have a material impact in 2020-21. The Society provided significant discounts to membership fees and practising certificates for 2020-21, and courses and conferences will be impacted in 2020-21 due to the inability to deliver face to face events for at least a portion of the year.

	Consolidated		Parent	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Membership and practitioner fees				
Practising certificate fees	7,989	7,526	7,994	7,532
Member fees	5,460	5,330	5,467	5,336
Limitation of liability scheme	789	799	789	799
Specialist accreditation fee	209	264	209	264
Certificate of fitness	68	76	68	76
Late application levy	-	8	-	8
	14,515	14,003	14,527	14,015
Membership services and events				
Courses, conferences and events	1,725	2,160	1,732	2,165
Membership services and products	523	491	523	491
Advertising and subscriptions	219	256	219	256
Marketing and sponsorship	296	372	296	372
	2,763	3,279	2,770	3,284
Total fees and membership services	**17,278**	**17,282**	**17,297**	**17,299**

B1-2 RENT AND ADMINISTRATION REVENUE

Rental revenue is recognised as income as it is received. Under the rules of the Act, certain operating expenses of the Society are recoverable from the Legal Practitioners' Fidelity Guarantee Fund (LPFGF) and the Legal Practitioners Admissions Board (LPAB).

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Rent	271	266	277	271
Body corporate administration fee	15	15	15	15
Management fees				
Lexon Insurance Pte Ltd	-	-	480	465
Law Claims Levy Fund	-	-	49	52
Legal Practitioners' Fidelity Guarantee Fund	159	134	159	134
Legal Practitioners Admissions Board	36	46	36	46
Total rent and administration revenue	**481**	**461**	**1,016**	**983**

B1-3 GRANTS AND FUNDING

Grants, donations and gifts are non-reciprocal in nature and are recognised as revenue in the year in which the Society obtains control over them.

The adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* in 2019-20 did not change the timing of revenue recognition for Grants and Funding.

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Queensland Law Foundation	123	209	123	209
Law Claims Levy Fund	-	-	728	522
Total grants and funding	**123**	**209**	**851**	**731**

Queensland Law Foundation (QLF) provided grants for a number of projects and initiatives to benefit members, including LawCare services, the annual Symposium, webinars, and regional workshops.

The Law Claims Levy Fund (LCLF) is reimbursing costs incurred by the Society for execution of discrete projects relating to risk management in the profession. This includes the development of resources and educational units designed to reduce the exposure of solicitors with respect to compensation and/or damages claims. These resources include legal project management, the QLS Legal Ethics Course and Solicitor Advocates Course, and publications for practice support and risk management.

B1-4 INSURANCE LEVIES

Insurance levies are recognised as revenue at the commencement of the risk period covered by the policy and accrued proportionally over the period of coverage.

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Insurance levies	24,425	23,019	-	-
Unearned premium reserve (Note C8-2(b))	(4,593)	(1,178)	-	-
Reinsurance costs	(1,422)	(1,265)	-	-
Net premium revenue	18,410	20,576	-	-
Claims expense	(21,161)	(19,258)	-	-
Reinsurance and other recoveries	1,684	1,328	-	-
Net claims incurred (Note C8-2(a))	(19,477)	(17,930)	-	-
Stamp duty	(1,922)	(1,855)	-	-
Underwriting expenses (Lexon administrative and operating expenses)	(6,480)	(6,099)	-	-
Underwriting result	**(9,469)**	**(5,308)**	**-**	**-**

B1-5 INVESTMENT INCOME

Distributions from investment income are recognised when declared by fund managers.

Realised gains/losses represent the net gains/losses on the sale of investments and are recognised when investments are sold during the course of the year. Fair value gains/losses are recognised monthly based on fluctuations in market prices of investments.

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.

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Distributions from investments	3,754	6,258	-	-
Interest income	714	1,071	522	725
Total investment income	**4,468**	**7,329**	**522**	**725**

B2 EXPENSES

B2-1 MEMBERSHIP SERVICES AND EVENTS EXPENDITURE

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Direct membership services and events expenditure				
Courses, conferences and events	523	692	523	692
Membership products and services	764	534	764	534
Printing and publications	250	310	221	250
Law Council capitation fees	1,174	1,071	1,174	1,071
Total membership services and events expenditure	**2,711**	**2,607**	**2,682**	**2,547**

B2-2 ADMINISTRATION EXPENSES

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Indirect administration expenses				
Office administration and insurance	863	1,032	1,281	781
Actuarial fees	153	100	-	-
Audit fees * #	203	197	82	84
Bad debts (recovery)	(17)	17	-	5
Body corporate, electricity, rates and taxes	547	446	543	441
Captive managers fee	100	99	-	-
Catering, functions and entertainment	144	171	107	113
Regulatory audits and investigations	65	23	65	23
Directors' fees	328	373	-	-
Bank fees and finance costs	136	126	109	135
Information technology and related costs	1,271	1,021	762	605
Investment management fees	707	514	-	-
Office rent	9	167	-	-
Presentations, donations and gifts	76	120	72	120
Professional and consulting fees	1,177	1,162	689	756
Repairs and maintenance	250	248	248	246
Travel and vehicle costs	279	485	126	162
Liability capping scheme	311	321	311	321
	6,602	6,622	4,395	3,792
Council and committee costs				
Honorarium	414	432	414	432
Travel and accommodation	37	44	37	44
Catering and functions	13	22	13	22
	464	498	464	498
Total administration expenses	**7,066**	**7,120**	**4,859**	**4,290**

*Total audit fees paid to Queensland Audit Office for the Society relating to the 2019-20 financial year are estimated to be $81,100 (2018-19: $79,500). There are no non-audit services included in this amount.

#PricewaterhouseCoopers (PWC) Singapore performs audit and taxation services for Lexon while PricewaterhouseCoopers Brisbane provides taxation services to the Group. Audit fees payable to PWC Singapore relating to the 2019-20 financial year are estimated to be $95,968 (2018-19: $92,732). Taxation fees paid to PWC Brisbane are disclosed in the professional and consulting fee line above and in the 2019-20 financial year amount to $31,080 (2018-19: $36,563). In addition in 2019-20 there was $17,340 paid to PWC Legal Brisbane (2018-19 $0).

B2-3 EMPLOYEE EXPENSES

	Consolidated		Parent	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Employee benefits				
Wages and salaries	12,519	12,138	9,088	9,514
Employer superannuation contributions	1,151	1,090	850	864
Movement in annual leave provision	158	(109)	93	(121)
Movement in long service leave provision	48	61	19	17
Staff training and development	31	40	38	42
Employee related expenses				
Workers' compensation premiums	46	42	37	37
Payroll taxes	578	637	385	484
Other employee benefits	38	41	31	36
Total employee expenses	**14,569**	**13,940**	**10,541**	**10,873**

Employee numbers

	Consolidated		Parent	
	2020	**2019**	**2020**	**2019**
Number of employees at year end	150	139	118	123
Number of full time equivalent employees at year end	124	122	96	107

Accounting policy – wages and salaries

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at current salary rates. As the Group expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Accounting policy – superannuation

Superannuation contributions are made to eligible complying superannuation funds based on the rates specified in the relevant conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period. Any contributions due but unpaid at reporting date are recognised in the Statement of Financial Position at current rates. As the Group expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Accounting policy – workers' compensation premiums

The Group pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing staff, but is not counted in an employee's total remuneration package. It is not an employee benefit and is recognised separately as employee related expenses.

Key management personnel and remuneration disclosures are detailed in Note E1.

C1 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 and banked at 30 June as well as deposits on call with financial institutions. The cash deposit accounts are interest bearing accounts which are readily convertible to cash at the Group's option. 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	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash at bank	3,790	1,739	654	422
Cash deposit accounts	40,693	48,189	18,798	17,934
Term deposits	15,290	18,042	15,290	15,042
Total cash and cash equivalents	**59,773**	**67,970**	**34,742**	**33,398**

Reconciliation of operating result to net cash (used in)/generated from operating activities

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Operating (deficit) surplus after income tax	(10,242)	**1,823**	633	**1,111**
Adjustments for:				
Investment income	1,130	(5,947)	-	-
Adoption of AASB16 (including tax)	(340)	-	-	-
Add/(less) non-cash items:				
Depreciation and amortisation	1,478	1,241	1,253	1,189
Change in assets and liabilities:				
(Increase)/decrease in assets:				
Receivables	(650)	1,056	(102)	115
Movement in provision for bad debts	(18)	13	-	-
Increase/(decrease) in liabilities:				
Payables	(8,378)	1,467	(132)	(1,117)
Accrued employee benefits	275	(51)	185	(106)
Provision for outstanding claims	10,537	7,523	-	-
Tax related balances	(1,347)	(35)	-	-
Net cash (used in)/generated from operating activities	**(7,555)**	**7,090**	**1,837**	**1,192**

C2 RECEIVABLES

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

A further allowance for impairment is calculated by applying the simplified approach to the calculation of lifetime expected credit losses. The percentage applied is calculated based on historical default rates with a forward-looking estimate adjustment which incorporates various risk factors appropriate for the class of receivable being assessed.

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

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Accounts receivable	239	345	8	117
Reinsurance recoverable	-	(7)	-	-
Less: provision for doubtful debts	(30)	(48)	-	-
	209	290	8	117
Prepaid expenses and other receivables	1,341	592	658	447
Total receivables	**1,550**	**882**	**666**	**564**

C3 INVESTMENT IN CONTROLLED ENTITIES

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

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Investment in Controlled Entities	**-**	**-**	**19,000**	**19,000**

C4 INVESTMENTS

Investments held at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with documented investment strategies. 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. At 30 June 2020, investments are classified as non-current assets as they are kept long term and the full value will not be realised within the accounting year.

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Investment in listed funds				
Opening balance	180,559	174,612	-	-
Additions	2,840	36,027	-	-
Additions via reinvestment	914	6,193	-	-
Disposal proceeds	-	(36,027)	-	-
Gain / (loss) on disposal	-	320	-	-
Fair value movements	(4,835)	(566)	-	-
Closing balance	**179,478**	**180,559**	**-**	**-**

Fair value measurements

Categorisation of fair values recognised as at 30 June 2020 are as follows:

		Consolidated		Parent Entity	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Fair Value Input	**Type**				
Level 1	None	-	-	-	-
Level 2	Investments	179,478	180,559	-	-
Level 3	None	-	-	-	-
		179,478	**180,559**	**-**	**-**

The portfolio of investments held consists of collective investment schemes. The fair value of the investments is determined by the market approach using the closing unit price quoted by the investment manager adjusted for fees.

Investments are placed as follows:

Lexon Insurance Pte Ltd

- Queensland Investment Corporation

Law Claims Levy Fund

- Queensland Investment Corporation

Legal Practitioners Fidelity Guarantee Fund

- Colonial First State

C5 PROPERTY, PLANT AND EQUIPMENT

C5-1 CONSOLIDATED

	Buildings	Plant and Equipment	Work In Progress	Total
	$'000	$'000	$'000	$'000
2020				
Cost or valuation				
At the beginning of the year	27,359	8,910	-	36,269
Additions	-	405	172	577
Adoption of AASB16	-	326	-	326
Revaluations	82	-	-	82
At the end of the year	**27,441**	**9,641**	**172**	**37,254**
Depreciation				
At the beginning of the year	(684)	(5,457)	-	(6,141)
Charge for the year	(683)	(795)	-	(1,478)
Revaluations	(3)	-	-	(3)
At the end of the year	**(1,370)**	**(6,252)**	**-**	**(7,622)**
Net book value at 30 June 2020	**26,071**	**3,389**	**172**	**29,632**
2019				
Cost or valuation				
At the beginning of the year	27,250	8,539	-	35,789
Additions	-	524	-	524
Disposals	-	(153)	-	(153)
Revaluations	109	-	-	109
At the end of the year	**27,359**	**8,910**	**-**	**36,269**
Depreciation				
At the beginning of the year	-	(5,050)	-	(5,050)
Charge for the year	(681)	(560)	-	(1,241)
Disposals	-	153	-	153
Revaluations	(3)	-	-	(3)
At the end of the year	**(684)**	**(5,457)**	**-**	**(6,141)**
Net book value at 30 June 2019	**26,675**	**3,453**	**-**	**30,128**
Property, plant and equipment is stated as follows:				
30 June 2020				
At valuation	27,441	-	-	27,441
At cost	-	9,641	172	9,813
	27,441	**9,641**	**172**	**37,254**
Depreciation	(1,370)	(6,252)	-	(7,622)
	26,071	**3,389**	**172**	**29,632**
30 June 2019				
At valuation	27,359	-	-	27,359
At cost	-	8,910	-	8,910
	27,359	**8,910**		**36,269**
Depreciation	(684)	(5,457)	-	(6,141)
	26,675	**3,453**	**-**	**30,128**

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

C5-2 PARENT ENTITY

	Buildings	Plant and Equipment	Work In Progress	Total
	$'000	$'000	$'000	$'000
2020				
Cost or valuation				
At the beginning of the year	27,359	8,109	-	35,468
Additions	-	321	172	493
Revaluations	82	-	-	82
At the end of the year	**27,441**	**8,430**	**172**	**36,043**
Depreciation				
At the beginning of the year	(684)	(4,773)	-	(5,457)
Charge for the year	(683)	(570)	-	(1,253)
Revaluations	(3)	-	-	(3)
At the end of the year	**(1,370)**	**(5,343)**	**-**	**(6,713)**
Net book value at 30 June 2020	**26,071**	**3,087**	**172**	**29,330**
2019				
Cost or valuation				
At the beginning of the year	27,250	7,794	-	35,044
Additions	-	468	-	468
Disposals	-	(153)	-	(153)
Revaluations	109	-	-	109
At the end of the year	**27,359**	**8,109**	**-**	**35,468**
Depreciation				
At the beginning of the year	-	(4,417)	-	(4,417)
Charge for the year	(681)	(508)	-	(1,189)
Disposals	-	152	-	152
Revaluations	(3)	-	-	(3)
At the end of the year	**(684)**	**(4,773)**	**-**	**(5,457)**
Net book value at 30 June 2019	**26,675**	**3,336**	**-**	**30,011**
Property, plant and equipment is stated as follows:				
30 June 2020				
At valuation	27,441	-	-	27,441
At cost	-	8,430	172	8,602
	27,441	**8,430**	**172**	**36,043**
Depreciation	(1,370)	(5,343)	-	(6,713)
	26,071	**3,087**	**172**	**29,330**
30 June 2019				
At valuation	27,359	-	-	27,359
At cost	-	8,109	-	8,109
	27,359	**8,109**	**-**	**35,468**
Depreciation	(684)	(4,773)	-	(5,457)
	26,675	**3,336**	**-**	**30,011**

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

C5-3 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 $2,000 excluding GST. Plant and Equipment also includes Right of Use Assets under AASB16, refer to note E3. Buildings and leasehold improvements are recognised upon acquisition if the initial cost exceeds $10,000 excluding GST.

C5-4 DEPRECIATION AND AMORTISATION

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

Assets are depreciated or amortised 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 or adjusted useful life of the asset. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods.

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

	2020	2019
Asset Class		
Buildings	2.5%	2.5%
Plant and Equipment	10% - 33%	10% - 33%

C5-5 IMPAIRMENT OF PLANT AND EQUIPMENT

All plant and equipment assets are assessed for indicators of impairment on an annual basis, or when the asset is measured at fair value, for indicators of a change in fair value or service potential since the last valuation was completed.

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 the Statement of Comprehensive Income.

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

C5-6 MEASUREMENT USING FAIR VALUE

The strata title building is measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. The building is reported at its revalued amount, being the fair value at the date of valuation using the market approach, less any subsequent accumulated

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

C5-6 MEASUREMENT USING FAIR VALUE (continued)

depreciation. The building is independently revalued at least every three years to ensure the carrying amount does not materially differ from the fair value at reporting date.

A valuation of the strata title building was carried out as at 30 June 2020 using the Implicit Price Deflator for non-residential buildings indices to index the carrying amount of the building. Where there has been a material change in the index, revaluation increments are recognised in the asset revaluation surplus except where amounts reversing a decrement previously recognised as an expense are recognised as revenues. Consideration was given to the impacts of the COVID-19 pandemic, with all advice indicating minimal if any impact on building values. Revaluation decrements are only offset against revaluation increments for the same class of assets and any excess is recognised as an expense.

The fair values as at 30 June 2020 are all Level 2 – Strata Title Building.

Accounting for Changes in Fair Value

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that assets class.

For assets revalued using indices, accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the “gross method”.

C6 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.

Income in advance relates primarily to receipts for insurance, membership fees and practising certificates for the upcoming year received during the renewal period prior to 30 June.

	Consolidated		Parent	
	2020	2019	2020	2019
	$’000	$’000	$’000	$’000
Income in advance	9,637	13,691	9,613	13,691
Unearned insurance levies	18,992	22,994	-	-
Trade creditors	350	132	227	169
Legal Practitioners' Fidelity Guarantee Fund	59	1	59	1
Law Claims Levy Fund	-	-	4,739	344
Lease Liability	250	-	-	-
Other payables and accruals	3,299	4,147	1,249	1,813
Total payables	**32,587**	**40,965**	**15,887**	**16,018**

C7 ACCRUED EMPLOYEE BENEFITS

Annual leave and long service leave

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

The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Current				
Annual leave	866	643	654	492
Long service leave	822	814	500	478
Total current accrued employee benefits	**1,688**	**1,457**	**1,154**	**970**
Non-current				
Long service leave	252	208	187	186
Total non-current accrued employee benefits	**252**	**208**	**187**	**186**
Current long service leave	822	814	500	478
Non-current long service leave	252	208	187	186
Total accrued long service leave	**1,074**	**1,022**	**687**	**664**

C8 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.

C8-1 INSURANCE CONTRACTS

Insurance contracts

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

C8 PROVISIONS (continued)

C8-1 INSURANCE CONTRACTS (continued)

Reinsurance contracts

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

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

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

C8-2 INSURANCE LIABILITIES

Insurance liabilities comprise provision for outstanding claims and unearned premium reserves.

(a) Provision for outstanding claims

Central estimate

Full provision is made for the estimated cost of all claims admitted or intimated but not settled at balance 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 balance date. The central estimates are determined by reference to a variety of estimation techniques, generally based on statistical analysis of historical experience which assumes an underlying pattern of claims development and payments.

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

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

Risk margin

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

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

C8 PROVISIONS (continued)

C8-2 INSURANCE LIABILITIES (continued)

(a) Provision for outstanding claims (continued)

Discount rates

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

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

Outstanding claims

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

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Opening provision for outstanding claims	78,814	72,549	-	-
Claims incurred	20,513	18,590	-	-
Claims paid during the year	(14,939)	(12,993)	-	-
Movement in claims handling provision	649	668	-	-
Closing provision for outstanding claims	85,038	78,814	-	-
Opening insurance contract liabilities ceded	(731)	(977)	-	-
Movement in reinsurance recoveries	30	274	-	-
Reinsurance receivables invoiced	-	(28)	-	-
Closing insurance contract liabilities ceded	(701)	(731)	-	-
Net outstanding claims	**84,337**	**78,083**	**-**	**-**
Law Claims Levy Fund	-	-	-	-
Lexon Insurance Pte Ltd	84,337	78,083	-	-
Net outstanding claims	**84,337**	**78,083**	**-**	**-**

Disclosed in the Statement of Financial Position as:	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Current insurance contract liabilities ceded	(250)	(93)	-	-
Non-current contract liabilities ceded	(451)	(638)	-	-
Insurance contract liabilities ceded	(701)	(731)	-	-
Current provision for outstanding claims	17,022	15,635	-	-
Non-current provision for outstanding claims	68,016	63,179	-	-
Provision for outstanding claims	85,038	78,814	-	-
Net claims outstanding	**84,337**	**78,083**	**-**	**-**

C8 PROVISIONS (continued)

C8-2 INSURANCE LIABILITIES (continued)

(a) Provision for outstanding claims (continued)

Outstanding claims (continued)

Maturity analysis

2020	<1 year $'000	1 to 5 years $'000	>5 years $'000	Total $'000
Gross central estimate	17,022	33,960	7,926	58,908
Reinsurance recoveries	(250)	(421)	(34)	(705)
Net central estimate	**16,772**	**33,539**	**7,892**	**58,203**
Discount				(616)
Risk margins				19,977
Claims handling				6,773
Net claims outstanding				**84,337**

2019	<1 year $'000	1 to 5 years $'000	>5 years $'000	Total $'000
Gross central estimate	15,635	33,528	4,740	53,903
Reinsurance recoveries	(93)	(638)	(14)	(745)
Net central estimate	**15,542**	**32,890**	**4,726**	**53,158**
Discount				(1,185)
Risk margins				19,986
Claims handling				6,124
Net claims outstanding				**78,083**

Risk margin

The risk margin (after allowance for CHE) included in the net outstanding claims is 33.0% (2018-19: 36.4%) of the central estimate, with a probability of sufficiency of approximately 90% (2018-19: 90%).

C8 PROVISIONS (continued)

C8-2 INSURANCE LIABILITIES (continued)

(a) Provision for outstanding claims (continued)

Claims incurred development

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

	For the year ended 30 June 2020			For the year ended 30 June 2019		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred						
Undiscounted	16,236	1,994	18,230	17,195	(954)	16,241
Discount	(218)	796	578	(463)	1,358	895
	16,018	2,790	18,808	16,732	404	17,135
Reinsurance recoveries						
Undiscounted	(94)	134	40	(60)	341	281
Discount	1	(11)	(10)	2	(9)	(7)
	(93)	123	30	(58)	332	274
Net claims						
Undiscounted	16,142	2,128	18,270	17,135	(613)	16,522
Discount	(217)	785	568	(462)	1,349	887
	15,925	2,913	18,838	16,673	736	17,409
Risk margins	6,687	(6,697)	(10)	6,479	(6,626)	(147)
Claims handling expenses	1,790	(1,141)	649	1,800	(1,132)	668
Net claims incurred	**24,402**	**(4,925)**	**19,477**	**24,952**	**(7,022)**	**17,930**

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

Lexon and the Law Claims Levy Fund have assessed the provisions for outstanding claims based upon an independent actuarial assessment as at 30 June 2020 by Mr Andrew Cohen (FIAA) and Mr Collin Wang (FIAA) of Finity Consulting Pty Ltd. The key assumptions are detailed in Note D1.

C8 PROVISIONS (continued)

C8-2 INSURANCE LIABILITIES (continued)

(b) Unearned Premium and Reserves

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

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

The unearned premium reserve has increased in 2019-20 due to the discount of 20% provided on the insurance premium for 2020-21 due to COVID-19.

Unearned premium and premium reserves

	2020 $'000	2019 $'000
Opening unearned premiums	22,994	21,736
Movement in unearned premiums during the year	(4,002)	1,258
Closing unearned premiums	18,992	22,994
Opening unearned premium reserves	6,538	5,360
Movement in unearned premium reserves	4,593	1,178
Closing unearned premium reserves	11,131	6,538
To be earned within 12 months	30,123	29,532
To be earned in greater than 12 months	-	-
Total unearned premiums and reserves	**30,123**	**29,532**

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

Net premium liabilities

	2020 $'000	2019 $'000
Unearned premium	18,992	22,994
Unearned premium reserves	11,131	6,538
Total unearned premium and reserves	30,123	29,532
Reinsurers' share of unearned premium reserves	(1,674)	(1,366)
Net unearned premiums and reserves	**28,449**	**28,166**

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

	2020 $'000	2019 $'000
Undiscounted central estimate	20,122	20,692
Discount to present value	(361)	(749)
Discounted central estimate	19,761	19,943
Reinsurance and other costs	3,018	2,685
Claims handling costs	2,009	2,022
Risk margin	5,335	4,882
Expected present value of future cash flows for future claims including risk margin	30,123	29,532
Unearned premiums	18,992	22,994
Deficiency	**11,131**	**6,538**

C8 PROVISIONS (continued)

C8-2 INSURANCE LIABILITIES (continued)

(b) Unearned Premium Reserves (continued)

Liability adequacy test

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

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

Accounting standards require the inclusion of a risk margin in insurance liabilities, but do not prescribe a minimum level of margin. Whilst there are established practices in the calculation of the probability of adequacy of the outstanding claims provision, no such guidance exists in relation to the level of risk margin to be used in determining the adequacy of net premium liabilities. The Group has adopted a risk margin of 24.5% (2018-19: 22.2%) to produce a 75% level of sufficiency on a net basis. This is the minimum level recognised in Australia as an industry benchmark for liability adequacy tests, in accordance with the Australian Prudential Regulatory Authority (APRA).

The application of the liability adequacy test in respect of the net unearned premium liabilities identified a deficiency in both years.

Maturity analysis

	<1 year $'000	1 to 5 years $'000	>5 years $'000	Total $'000
2020				
Unearned premium reserves				
Unexpired risk reserve	-	-	-	-
Gross central estimate	3,792	12,205	6,004	22,001
Unexpired risk reserves - reinsurance	(37)	(202)	(99)	(338)
Net central estimate	**3,755**	**12,003**	**5,905**	**21,663**
Discount				(362)
Risk margins				5,335
Duty and other costs				1,478
Claims handling				2,009
Total unearned premium and reserves				**30,123**
2019				
Unearned premium reserves				
Unexpired risk reserve	-	-	-	-
Gross central estimate	3,785	13,508	5,057	22,350
Unexpired risk reserves - reinsurance	(34)	(188)	(70)	(292)
Net central estimate	**3,751**	**13,320**	**4,987**	**22,058**
Discount				(752)
Risk margins				4,882
Duty and other costs				1,322
Claims handling				2,022
Total unearned premium and reserves				**29,532**

C9 LEASES

C9-1 LEASES AS LESSEE

A new accounting standard AASB116 *Leases* came into effect in 2019-20 resulting in changes to the Groups accounting for leases for which it is lessee. The transitional impacts of the new standard are disclosed in note E3.

Lexon leases office premises and motor vehicles under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The following table sets out the maturity analysis of future minimum lease payable under non-cancellable operating leases contracted for at 30 June 2020 but not recognised as liabilities.

	Consolidated		Parent	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Less than 1 year	-	192	-	-
1 to 5 years	-	200	-	-
More than 5 years	-	-	-	-
Total	**-**	**392**	**-**	**-**

As disclosed in note E3, the Group has adopted AASB16 on 1 July 2019. These lease payments have been recognised as plant and equipment and lease liabilities on the balance sheet at 30 June 2020.

C9-2 LEASES AS LESSOR

Accounting policies – Leases as lessor

The Society recognises lease payments from operating leases as income on a straight-line basis over the lease term.

Disclosures – Leases as lessor

(i) Details of leasing arrangements as lessor

The Society leases office space under 1 to 5 year operating lease arrangements.

Lease income from operating leases is reported as 'Rent' in Note B1-2. No amounts were recognised in respect of variable lease payments other than CPI-based or market rent reviews.

The Society does not have any finance leases.

(ii) Maturity analysis

The following table sets out a maturity analysis of future undiscounted lease payments receivable under the Society's operating leases.

	Consolidated		Parent	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Less than 1 year	152	142	152	142
1 to 5 years	102	202	102	202
More than 5 years	-	-	-	-
Total	**254**	**344**	**254**	**344**

D1 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.

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

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

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 the Statement of Comprehensive Income. 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 claim payments are discounted to the calculation date for each claim year.

The projected future claims payments for each 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 losses, which were incurred but have not yet been reported (Incurred But Not Reported – IBNR).

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

Key assumptions

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

- The ICD basis allows for the following development:

	Development Year						
Development Factor	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8
Current Year	20.4%	20.4%	16.4%	7.0%	5.1%	3.5%	2.3%
Prior Year	20.4%	20.4%	16.4%	7.0%	5.1%	3.5%	2.3%

- The average cost per solicitor (used in the BF method) adopted is $2,900 (2019: $3,000).
- The Group has assumed reinsurance recoveries will be fully recoverable on a prompt basis.
- The Group has applied the zero-coupon yield for Government issued bonds to the expected future cash flows. This has resulted in a uniform discount rate of 0.40% (2019: 1.02%) per annum.
- The Group has assumed future inflation will be the same as average rate of past inflation, to the extent that it has been captured by the claims development data.
- The Group has included an allowance for claims handling expenses ("CHE") based on historical experience and projected expenses.

D1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key assumptions (continued)

- While the Group has calculated a central estimate, a risk margin at a 90th percent probability of sufficiency has been applied and the Group has adopted reserves at this level to maintain a higher level of adequacy.
- While claim numbers are not directly used in determining estimates, they are a good lead indicator. Given the policy is based on claims made, there is an assumption of minimal development post the end of the year.

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

- The average cost per solicitor adopted is $2,900 (2019: $3,000)
- The estimated growth in solicitor numbers is 0% (2019: 3.5%)

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 valuation methodology.

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

Sensitivity analysis of key estimates

While the gross ultimate costs are sensitive to valuation assumptions, the net results are less sensitive due to the aggregate limits that apply which reduce the net exposure. The gross undiscounted unused exposure for all years totals $102.2 million (2019: $102.4 million) before risk margins; and $82.2 million (2019: $82.1 million) after allowing risk margins to the 90th probability of sufficiency. The unused net exposure per policy year ranges from $0 to $13.7 million (2019: $0 to $11.9 million) with an average of $4.6 million (2019: $4.8 million); however this increases to $6.6 million (2019: $6.6 million) in relation to years that have an outstanding balance.

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

In relation to outstanding claim liabilities, the impacts on our estimated total provision due to changes in assumptions are:

- Reserve under estimation: A 10% (2019: 10%) reserve under estimation results in an additional gross undiscounted reserve of $5.9 million (2019: $5.4 million) and net discounted reserve (after risk margins) of $8.4 million (2019: $7.8 million) or 10% (2019: 10%) of the discounted net central estimate plus risk margins.
- Reserve over estimation: If estimated reserves on all years improved by 10% (2019: 10%) then it would result in a decrease in gross undiscounted reserve of $5.9 million (2019: $5.4 million) and the total net provision (after risk margins) would decrease by $8.4 million (2019: $7.8 million) or 10% (2019: 10%) of the discounted net central estimate plus risk margins.
- Discount rate: A half a percentage point decrease in discount rate from 0.4% (2019: 1.02%) to -0.10% (2019: 0.52%) would increase the provision by $1.1 million (2019: $0.9 million) or 1.3% (2019: 1.1%) 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 the provision by $0.7 million (2019: $0.6 million) or 0.9% (2019: 0.8%) of the discounted net central estimate plus risk margins.
- Cost per solicitor under estimation: An increase in the cost per solicitor from $2,900 to $3,400 (2019: $3,000 to $3,500) increases the provision by $2.9 million (2019: $2.4 million) or 3.4% (2019: 3.0%) of the discounted net central estimate plus risk margins.

D1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key assumptions (continued)

Sensitivity analysis of key estimates (continued)

- Cost per solicitor over estimation: A reduction in the cost per solicitor from $2,900 to $2,400 (2019: $3,000 to $2,500) reduces the provision by $2.9 million (2019: $2.4 million) or 3.4% (2019: 3.0%) of the discounted net central estimate plus risk margins.

The Group identified a premium deficiency. Sensitivity analysis in relation to the unearned premium reserves and premium deficiency is as follows:

- Solicitor number under estimation: A 10% (2019: 10%) under estimation results in an additional gross undiscounted reserve of $2.7 million (2019: $2.7 million) and net discounted reserve (after risk margins) of $2.7 million (2019: $2.7 million) or 9.4% (2019: 9.5%) of the discounted net unearned premium reserve estimate including risk margins.

- Solicitor number over estimation: A 10% (2019: 10%) over estimation results in a decrease in gross undiscounted reserve of $2.7 million (2019: $2.7 million) and net discounted reserve (after risk margins) of $2.7 million (2019: $2.7 million) or 9.4% (2019: 9.5%) of the discounted net unearned premium reserve estimate including risk margins.

- Cost per solicitor under estimation: An increase in the cost per solicitor from A$2,900 to $3,400 (2019: $3,000 to $3,500) increases the provision by $4.7 million (2019: $4.5 million) or 16.3% (2019: 15.8%) of the discounted net unearned premium reserve estimate including risk margins.

- Cost per solicitor over estimation: A reduction in the cost per solicitor from $2,900 to $2,400 (2019: $3,000 to $2,500) reduces the provision by $4.7 million (2019: $4.5 million) or 16.3% (2019: 15.8%) of the discounted net unearned premium reserve estimate including risk margins.

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

D2-1 INSURANCE RISK

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

The risk in 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 a liability that may arise from an insurable event. As such, the Group is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Group manages its insurance risk through underwriting strategy, reinsurance strategy and amendment to the terms and conditions of insurance contracts.

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-1 INSURANCE RISK (continued)

(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 the Society. Such a focus on one "insured" group does create a wider variability of outcomes 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
- 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 of Lexon is responsible for setting the minimum security criteria for acceptable reinsurance.

(c) Terms and conditions of insurance contracts

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

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

Product features

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

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

This line is typically the largest source of uncertainty regarding claims reserves. 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.

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 cost 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.

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-1 INSURANCE RISK (continued)

(c) Terms and conditions of insurance contracts (continued)

Claims development history

	2013/14 & prior	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'001	$'000
Gross								
Estimate of ultimate claims								
Costs:								
· at end of reporting year		16,447	15,869	18,184	19,879	17,363	16,411	
· one year later		15,340	15,247	16,475	18,895	18,051		
· two years later		13,196	13,390	14,290	18,680			
· three years later		15,878	14,842	12,859				
· four years later		15,941	14,710					
· five years later		16,257						
Cumulative payments to date		(13,001)	(9,879)	(8,570)	(8,315)	(4,811)	(800)	
Estimate of claims reserve		3,256	4,831	4,289	10,365	13,240	15,611	
Effect of discounting		(22)	(34)	(38)	(106)	(167)	(218)	
Best estimate of claims liability	7,281	3,234	4,797	4,251	10,259	13,073	15,393	58,288
Risk margin								19,976
Provision for claims handling								6,733
Total gross outstanding claims included in the Statement of Financial Position								**85,038**
Movement in accident year estimate before discounting and margins	2,553	317	(132)	(1,431)	(215)	688	16,410	18,190
Movement in excess receivable								40
Gross claims incurred								**18,230**
Net								
Estimate of ultimate claims								
Costs:								
· at end of reporting year		16,447	15,869	18,161	19,834	17,303	16,316	
· one year later		15,340	15,247	16,454	18,852	17,991		
· two years later		13,196	13,390	14,271	18,645			
· three years later		15,878	14,842	12,850				
· four years later		15,941	14,710					
· five years later		16,257						
Cumulative payments to date		(13,001)	(9,879)	(8,570)	(8,315)	(4,811)	(800)	
Estimate of claims reserve		3,256	4,831	4,280	10,330	13,180	15,516	
Effect of discounting		(22)	(34)	(38)	(106)	(167)	(218)	
Best estimate of claims liability	6,779	3,234	4,797	4,242	10,224	13,013	15,298	57,587
Risk margin								19,976
Provision for claims handling								6,733
Total net outstanding claims included in the Statement of Financial Position								**84,336**
Movement in accident year estimate before discounting and margins	2,669	317	(132)	(1,421)	(207)	688	16,316	18,230
Movement in excess receivable								40
Gross claims incurred								**18,270**

The Group 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.

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-2 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 insurer is assessed from public rating information.

D2-3 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 (for the provision of legal services).

D2-4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Recognition of financial instruments

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

Classification of financial instruments

Financial instruments are classified and measured as follows:

- Cash and cash equivalents
- Investments – held at fair value through profit or loss
- Receivables – held at amortised cost
- Payables – held at amortised cost

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

Financial risk management

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.

Management and the Council regularly review the Group's performance and ensure all investments held are within the approved mandate.

(a) Currency risk

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

The Group holds minor cash balances in Singapore Dollars.

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

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

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Currency risk (continued)

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

(b) Price and interest rate risk

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

The Group manages its exposure to interest rate risk through the setting of investment durations by the fund managers.

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

Duration and Tracking Error Limits (interest rate management)

The Modified Duration of the funds is constrained within a specified period either side of the Modified Duration of the Benchmark as contained in the relevant funds product disclosure statements.

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 (e.g. domestic, international – government, non-government) within the funds will be maintained in specified limits.

Credit Limits

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

Credit Risk Limits for Individual Security Investments

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

(c) Credit risk

There is no significant credit risk with respect to the collectability of premiums as the Group only underwrites risks from members. 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 nor impaired

At balance date no financial assets are past due nor 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.

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired (continued)

Investments at fair value through profit or loss are redeemable on demand. These are placed with reputable fund managers.

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

(ii) Financial assets that are past due and/or impaired

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

Trade and other receivables include excess balances of $61,353 (2018-19: $77,500) which are more than one month past due. There is a provision of $30,111 (2018-19: $47,500) on these outstanding balances.

There were no reinsurance recoveries (2018-19: $Nil) outstanding more than one month.

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

(iii) Credit ratings

The following table shows the investment grades of balances due:

	Investment Grade (AAA to BBB) $'000	Not rated $'000	Total $'000
At 30 June 2020			
Cash and cash equivalents	59,772	1	59,773
Reinsurers' share of outstanding claims reserves	701	-	701
Trade and other receivables	-	1,550	1,550
Financial assets at fair value through profit or loss	-	179,478	179,478
Total	**60,473**	**181,029**	**241,502**
At 30 June 2019			
Cash and cash equivalents	67,969	1	67,970
Reinsurers' share of outstanding claims reserves	731	-	731
Receivables	-	882	882
Financial assets at fair value through profit or loss	-	180,559	180,559
Total	**68,700**	**181,442**	**250,142**

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk

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

The Group manages its expected cash flow requirements using the latest actuarial valuations detailing projected cash flows. These are monitored in conjunction with available cash and investments readily convertible to cash. A maturity analysis of unearned risk and premium reserves and outstanding claims reserves is provided in Note C8-2.

(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. Capital is calculated in accordance with Australian Prudential Regulatory Authority's guidelines.

Lexon 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 date, Lexon has met the fund solvency requirement for its Offshore Insurance Fund and the minimum capital adequacy requirement.

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

(f) Sensitivity Analysis

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

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

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

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

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

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Sensitivity Analysis (continued)

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

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

In relation to currency stress test, APRA requires each fund to calculate the upward and downward impact for each foreign currency. For each foreign currency, if the stress test results in a profit, the impact is adjusted to zero. Only stress test resulting in losses are included in the calculations.

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

	2020 $'000	2019 $'000
Stress Test		**Upward impact**
Interest rate	(296)	(266)
Inflation	(2,713)	(2,112)
Currency	(4,239)	(5,195)
		Downward impact
Interest rate	214	138
Inflation	2,312	1,839
Currency	(664)	(4,559)
Stress Test		**Impact**
Equity	(26,006)	(28,666)
Property	(2,610)	(2,193)
Credit spread	(6,138)	(4,616)

D3 COMMITMENTS

D3-1 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted for 30 June 2020 but not provided for (2018-19: Nil).

D4 CONTINGENT LIABILITIES AND EVENTS AFTER BALANCE DATE

Lexon has a bank guarantee for $108,031 (2018-19: $108,031) in favour of the lessor of 307 Queen Street, Brisbane QLD 4000 which can be drawn upon in the event of a default in accordance with the rental agreement.

D5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

AASB 17 *Insurance Contracts*

AASB 17 will come into effect for financial periods beginning on or after 1 January 2021.

AASB 17 measures insurance contracts either under the general model or a simplified version of this called the ‘premium allocation approach’. The general model is defined such that at initial recognition an entity measures a group of contracts at the total of (a) the amount of fulfilment cash flows, which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; and (b) the contractual service margin.

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date. The liability for incurred claims is measured as the fulfilment cash flows related to past services allocated to the group at that date.

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or the coverage period of each contract in the group is one year or less.

The Group has yet to determine to what extent the changes will have on the measurement of outstanding claim liabilities and how this will affect the Group’s profit and classification of cash flows. Based on our preliminary assessment, given the Group only has short term insurance contracts we are not expecting a material impact to the balances reported in these financial statements.

E1 KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel (KMP) and remuneration disclosures are made in accordance with the FRR, consistent with additional guidance included in AASB 124 *Related Party Disclosures*.

The following details for KMP include those positions that had authority and responsibility for planning, directing and controlling the activities of the Society during 2019-20 and 2018-19. This is supported through the Council Charter which is available on the Society’s website. Further information on these positions can be found in the body of the Annual Report.

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

E1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Position	Position Responsibility
President	Lead the Council in settling the corporate direction and goals and monitoring the performance of the Society. Each President is elected for a term of one calendar year. Supported by elected Council Members.
Deputy President	To provide direct support to President. The Deputy President succeeds to the office of President at the beginning of the second term.
Vice President	Supporting the President and Deputy President in the discharge of their duties. The Vice President holds office for a two year term.
Chief Executive Officer	To lead day to day operations of the Society and is charged with implementing and managing best practice standards and processes in risk management, compliance and governance of the Society. The Chief Executive Officer is accountable to the governing body of elected Council members.

Position	Person	Start of Term	End of Term
President	Luke Murphy	1/01/2020	31/12/2020
President	William Potts	1/01/2019	31/12/2019
President	Ken Taylor	1/01/2018	31/12/2018
Deputy President	Elizabeth Shearer	1/01/2020	31/12/2020
Deputy President	William Potts	1/01/2018	31/12/2018
Vice President	Kara Thomson	23/01/2020	31/12/2020
Vice President	Peter Lyons	1/01/2020	22/01/2020
Vice President	Christopher Coyne	1/09/2017	31/12/2019

KMP Remuneration Policy

Remuneration entitlements are set by the Council. The Society does not bear any cost of remuneration for its Councillors. Remuneration packages for key management personnel comprise the following components:

Short term employee expenses which include:

- base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specific position;
- performance payments recognised as an expense during the year; and
- non-monetary benefits – consisting of provision of car parking, travel reimbursement (kilometres travelled) and accommodation (including fringe benefits tax where applicable).

Long term employee benefits include long service leave entitlements accrued during the period. There were no long term employee benefits paid in the reporting period.

Post-employment benefits include amounts in respect of employer superannuation contributions.

Termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

E1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

KMP Remuneration Policy (continued)

KMP remuneration

1 July 2019 – 30 June 2020

Position	Short Term Employee Expenses		Post Employment Benefits	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits			
	$’000	$’000	$’000	$’000	$’000
President					
1 January 2020 - 30 June 2020	131	3	11	-	145
President					
1 July 2019 - 31 December 2019	151	3	11	-	165
Deputy President					
1 January 2020 - 30 June 2020	43	3	4	-	50
Vice President					
1 January 2020 - 30 June 2020	43	3	4	-	50
Chief Executive Officer					
1 July 2019 - 30 June 2020	309	9	21	-	339

1 July 2018 – 30 June 2019

Position	Short Term Employee Expenses		Post Employment	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary			
	$’000	$’000	$’000	$’000	$’000
President					
1 January 2019 - 30 June 2019	150	3	10	-	163
President					
1 July 2018 - 31 December 2018	159	7	10	-	177
Deputy President					
1 July 2018 - 31 December 2018	43	3	4	-	50
Vice President					
1 January 2019 - 30 June 2019	43	3	4	-	50
Chief Executive Officer					
1 July 2018 - 30 June 2019	330	9	21	-	359

E1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

KMP Remuneration Policy (continued)

Performance payments

The remuneration package for the Chief Executive Officer provides for performance payments to be made conditional on the achievement of key performance indicators (KPIs) specified in the CEO's employment contract and subject to discretionary approval by the Council.

Achievement of each KPI is measured on an annual basis. The Council retains discretion as to whether performance payments are made.

There was nil expensed in 2019-20 (2018-19: $30,000) for bonus paid to the Chief Executive Officer.

E2 RELATED PARTY TRANSACTIONS

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

	2020 $	2019 $
Management fees and recovery expenditure paid to the parent entity by:		
Lexon Insurance Pte Ltd	480,200	465,000
Law Claims Levy Fund	49,102	51,613
Legal Practitioners' Fidelity Guarantee Fund	159,881	134,511
Legal Practitioners Admissions Board	36,144	46,120
Grant funding paid by parent entity to QLS Solicitors Support	1,263,627	-
Gross premium paid by Law Claims Levy Fund to Lexon	21,736,533	20,849,159
Grant paid by LCLF to parent entity	727,985	522,235
Professional fees paid to a firm of which a councillor of QLS is a member:		
McInnes Wilson Lawyers	990	1,536
Potts Lawyers	14,940	12,450
Professional fees paid to a firm of which a director of Lexon is a member:		
McInnes Wilson Lawyers	615,461	610,436
Potts Lawyers	37,922	18,649
Other non-claim professional advice provided:		
McInnes Wilson	25,300	-
Management fees paid to a firm which a director of Lexon is a member:		
AON Insurance Managers (Singapore) Pte Ltd	100,000	98,538
Key management personnel compensation for Lexon:		
Directors' fees*	442,276	428,891
Other officers:		
Salaried and other short term employee benefits	1,210,885	1,066,007
Employer's contribution to defined contribution plans	83,802	75,795

* Includes $57,300 of Directors' fees in relation to Mr Rolf Moses which were paid to QLS.

E3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

Accounting standards applied for the first time – AASB 1058 *Income of Not-for-profit Entities* and AASB 15 *Revenue from Contracts with Customers*

The Group applied AASB 1058 *Income of Not-for-profit Entities* and AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-20. Comparative information for 2018-19 has not been restated and continues to be reported under AASB 1004 *Contributions* and AASB 118 *Revenue*. The nature and effect of the adoption of these new accounting standards are described below.

Special purpose grants

Grants and funding are received from the Queensland Law Foundation (QLF) and the Law Claims Levy Fund (LCLF). LCLF grants relate to the reimbursement of costs incurred by the parent entity for the execution of specific projects related to risk management in the profession. These grants are eliminated on consolidation. QLF grants relate to support for specific projects and events that directly benefit the Society's members. Under AASB 1058, these special purpose grants are recognised as liabilities (income in advance) and subsequently recognised as revenue progressively as the events to which they relate occur. This treatment is the same as previous accounting policy.

Volunteer services

The Group considered the application of AASB 1058 to any of the services provided to the parent entity by the members of the Society's committees. These committees are established under various charters and the Society's rules.

Whilst the committees provide a valuable means of engagement with members and enhance the value the Society brings to broader society, and their value could most likely be measured reliably, these services would not be purchased if they were not donated.

These services have therefore not been recognised under this new Standard.

Revenue recognition under AASB 15

The Group has reviewed the impact of AASB 15 and determined that the timing of revenue recognition for all revenue items remains unchanged under this new standard. The implementation of the new standard has therefore not had a material impact on the Group.

The Group considered two specific revenue items in more detail in reaching the determination that the timing of revenue recognition remains unchanged following the assessment of the impact of this new standard.

Firstly, whether a practising certificate constitutes a licence and that therefore revenue for that revenue type should be recognised on the date the contract to issue the licence is formed, which would be a change from previous accounting policy.

The Group concluded from its assessment that practising certificates constitute licences. As such, under this new standard, revenue would be recognised at the time the contract is formed. However, a practising certificate is a short term licence (because it is issued for a single year) and has no variable consideration as the fee is the same for all participants in the class of licence for which they are eligible.

The Group has therefore elected to adopt the exemption allowed under the standard and recognise the revenue over the full financial year or part year to which the certificate relates. This is the same outcome as under the previous applicable standard AASB 118: *Revenue*.

Secondly, whether the provision of membership of the Queensland Law Society constitutes a contract with accompanying performance obligations.

E3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY (continued)

The Group concluded that membership is a contract because all the elements of a contract are present and that therefore the revenue falls under AASB 15; and further, that the provision of membership contains performance obligations that continue throughout the period of membership. Revenue for membership fees have therefore been recognised over the full financial year or part year to which the membership relates. This is the same outcome as under the previous applicable standard AASB 118: *Revenue*.

AASB 16 *Leases*

The Group applied AASB 16 *Leases* for the first time in 2019-20. Comparative information for 2018-19 has not been restated and continues to be reported under AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The nature and effect of the adoption of these new accounting standards are described below.

Impact for lessees

Under AASB 16, the majority of operating leases (as defined by the current AASB 117) are reported on the Statement of Financial Position as right-of-use assets and lease liabilities. Right-of-use assets are disclosed as part of plant and equipment (note C5) and lease liability disclosed as part of payables (note C6).

The right-of-use asset is initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset gives rise to a depreciation expense.

The lease liability is initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Operating lease rental payments are no longer expensed in the Statement of Comprehensive Income. They are apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost is recognised as an expense.

AASB 16 allows a ‘cumulative approach’ rather than full retrospective application to recognising existing operating leases. In accordance with Queensland Treasury’s policy, the Group has applied the “cumulative approach”, and does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

Outcome of review as lessee

The Group completed its review of the impact of adoption of AASB 16 on the Statement of Financial Position and Statement of Comprehensive Income and identified the major impacts which are outlined below.

	$’000
Right-of-use asset	326
Lease liability	(372)
Deferred tax assets	14
Decrease in opening accumulated surplus	**(32)**

E3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY (continued)

Reconciliation of operating lease commitments at 30 June 2019 to the lease liabilities at 1 July 2019

	$'000
Operating lease commitments disclosed as at 30 June 2019	392
Discounted using the incremental borrowing rate	(20)
Lease Liabilities recognised as at 1 July 2019	**372**

Impact for Lessors

The parent entity acts as a lessor for parts of Law Society House. Lessor accounting under AASB 16 remains largely unchanged from AASB 117. Lease receipts from operating leases are recognised as income either on a straight-line basis or other systematic basis where appropriate.

Accounting Standards Early Adopted

No other Australian Accounting Standards have been early adopted for 2019-20.

Change in Accounting Policy

Other than AASB 1058 *Income of Not-for-profit* Entities, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*, which are detailed above, no accounting standards that apply to the Group for the first time in 2019-20 have any material impact on the financial statements.

F1 TAXATION

Income tax is recognised on consolidation.

Queensland Law Society Incorporated (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 Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

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

Lexon is registered in Australia for income tax and has dual tax residency in Australia and Singapore. In relation to offshore insurance business, Lexon was extended for a period of 10 years from 17 February 2016 under the tax exemption scheme for captive insurers for Singapore taxation (exempt from tax). Lexon has met the requirements for continued qualification for the tax incentive scheme. Lexon is still liable to be taxed in Australia at a rate of 30% on its profits.

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

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

F1 TAXATION (continued)

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantively enacted by balance 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.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

F1-1 INCOME TAX EXPENSE

	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Tax expense attributable to profit is made up of:				
Current income tax	-	-	-	-
Deferred income tax (Note F1-3)	(1,315)	(803)	-	-
	(1,315)	(803)	-	-
(Over)/under provision in preceding financial years	-	-	-	-
Current income tax	-	(1)	-	-
Deferred income tax (Note F1-3)	1	-	-	-
Total income tax (credit)/expense	**(1,314)**	**(804)**	**-**	**-**

The tax expense on the Statement of Comprehensive Income differs from the amount that would arise using the standard tax rate due to the following:

	Consolidated		Parent	
	2020 **$'000**	**2019** **$'000**	**2020** **$'000**	**2019** **$'000**
Operating surplus before income tax	(11,556)	1,019	-	-
Tax calculated at a tax rate of 30% (2018: 30%)	(3,467)	306	-	-
Effects of:				
Income not subject to tax	2,278	(992)	-	-
Prior year adjustments	(1)	(1)	-	-
Franking and other credits available	(124)	(117)	-	-
	(1,314)	**(804)**	**-**	**-**

F1 TAXATION (continued)

F1-2 INCOME TAX RECEIVABLE

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Income tax at the beginning of the financial year	(272)	(1,039)	-	-
Income tax refunded/(paid)	(19)	769	-	-
Current year income tax	-	-	-	-
(Over)/under provision in preceding financial years	-	(1)	-	-
Income tax receivable at the end of the financial year	**(291)**	**(271)**	**-**	**-**

F1-3 DEFERRED INCOME TAX BALANCES

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

	Consolidated		Parent	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Deferred tax assets				
Balance at the beginning of the financial year	4,986	4,183	-	-
Charge to profit or loss:				
- Adoption of AASB16	13	-	-	-
- Prior year adjustment	(1)	-	-	-
- Claims handling provision	195	200	-	-
- Allowance for impairment of receivables	(5)	4	-	-
- Unearned premium deficiency	(801)	353	-	-
- Unrealised investment movements	157	45	-	-
- Non-assessable distributions on investments	(306)	(67)	-	-
- Income losses	2,045	248	-	-
- Other timing differences	30	20	-	-
Total deferred tax assets	**6,313**	**4,986**	**-**	**-**
Net deferred tax asset at end of the financial year	**6,313**	**4,986**	**-**	**-**

Queensland Law Society Incorporated

Management Certificate for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

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

b. the financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Law Society Incorporated and its controlled entities for the financial year ended 30 June 2020 and of the financial position of the Group as at the end of that year.

We acknowledge responsibility under s.7 and s.11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

President
Queensland Law Society
Luke Murphy

27/08/2020.

Chief Executive Officer
Queensland Law Society
Rolf Moses

27/08/2020

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Council of Queensland Law Society Incorporated

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Law Society (the parent) and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the parent's and group's financial position as at 30 June 2020, and their financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the parent and group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Responsibilities of the Council 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 the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards, and for 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.

The Council is also responsible for assessing the parent's and group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the parent or group or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the parent's and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the parent's and group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent's or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the parent or group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Queensland Audit Office
Better public services

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

a) I received all the information and explanations I required.

b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.

28 August 2020

Melissa Fletcher
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

LAW CLAIMS LEVY FUND

Financial Report
For the year ended 30 June 2020

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Law Claims Levy Fund
Statement of Comprehensive Income for the year ended 30 June 2020

	NOTES	2020 $'000	2019 $'000
Revenue			
Insurance levies	B1-1	24,425	23,019
Total levies		**24,425**	**23,019**
Other income			
Interest income		43	74
Investment income		914	2,719
Realised gains/(losses) on investments		-	320
Fair value gains/(losses) on investments		(1,228)	(416)
Other income		71	-
Total other income	B1-2	**(200)**	**2,697**
Total revenue		**24,225**	**25,716**
Expenses			
Administration expenses	B2-1	1,042	792
Audit fees	B2-2	21	20
Insurance premiums	B2-3	22,193	20,845
Stamp duty	B2-3	1,923	1,855
Total expenses		**25,179**	**23,512**
Operating result for the year		(954)	2,204
Other comprehensive income		-	-
Total comprehensive income for the year		**(954)**	**2,204**

The accompanying notes form part of these statements.

Law Claims Levy Fund

Statement of Financial Position as at 30 June 2020

	NOTES	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	C1	15,908	25,430
Receivables	C2	5,237	367
Total current assets		**21,145**	**25,797**
Non-current assets			
Investments	C3	56,990	57,304
Total non-current assets		56,990	**57,304**
Total assets		**78,135**	**83,101**
Current liabilities			
Income in advance	C4	18,992	22,994
Payables	C5	43	53
Total current liabilities		**19,035**	**23,047**
Total liabilities		**19,035**	**23,047**
Net assets		**59,100**	**60,054**
Equity			
Accumulated surplus		**59,100**	**60,054**
Total equity		59,100	60,054

The accompanying notes form part of these statements.

Law Claims Levy Fund

Statement of Changes in Equity for the year ended 30 June 2020

	2020 $'000	2019 $'000
Accumulated surplus		
Balance at 1 July	60,054	57,850
Total comprehensive income for the year	(954)	2,204
Balance at 30 June	**59,100**	**60,054**

The accompanying notes form part of these statements.

Law Claims Levy Fund

Statement of Cash Flows for the year ended 30 June 2020

	NOTES	2020 $'000 Inflows (Outflows)	2019 $'000 Inflows (Outflows)
Cash flows from operating activities			
Receipts from the profession and reinsurers		16,099	24,933
Payments to suppliers		(25,664)	(23,451)
Interest received		43	71
Net cash (used in)/generated from operating activities	**C1**	**(9,522)**	**1,553**
Cash flows from investing activities			
Proceeds from investments		-	36,027
Payments for investments		-	(36,027)
Net cash generated from investing activities		**-**	**-**
Net increase in cash and cash equivalents held		**(9,522)**	**1,553**
Cash and cash equivalents at the beginning of the financial year		**25,430**	**23,877**
Cash and cash equivalents at the end of the financial year	**C1**	**15,908**	**25,430**

The accompanying notes form part of these statements.

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

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

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

The Fund was wholly controlled by the Society for the whole reporting period.

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The Fund has prepared these financial statements in compliance with section 39 of the *Financial and Performance Management Standard 2019*. The financial statements comply with the Queensland Treasury's minimum Financial Reporting Requirements for reporting periods beginning on or after 1 July 2019.

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

A1-3 PRESENTATION

Currency and rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest $1,000 or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparatives

Comparative information reflects the audited 2018-19 financial statements.

Current/non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within twelve (12) months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within twelve (12) months after the reporting date, or the Fund does not have an unconditional right to defer settlement to beyond twelve (12) months after the reporting date.

Investments are classified as 'non-current' as they are kept as long term and the full value will not be realised within the accounting year.

All other assets and liabilities are classified as 'non-current'.

A1-4 BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except where stated otherwise.

Historical cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value measurement

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

Fair value is determined using one of the following three approaches:

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement costs methodology.
- The *income approach* converts multiple future cash flow amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

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

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

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

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

The fair value of investments is determined using the market approach and categorised into level 2 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

A1-5 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by the Queensland Law Society Incorporated's President and Chief Executive Officer at the date of signing the Management Certificate.

A2 THE FUND'S OBJECTIVES

The Fund administers insurance matters (jointly with Lexon Insurance Pte Ltd) in accordance with the *Queensland Law Society Indemnity Rule 2005.* The main source of income is the collection of Professional Indemnity insurance levies for payment of insurance premiums to Lexon under the Master Policy in accordance with the Indemnity Rule.

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

The fund is responsible for individual claims costs up to a predefined amount which varied per insurance year for the periods 1987 to 1995. In 2001, the fund entered into an aggregate policy with Lexon Insurance Pte Ltd to cap the sum of the individual claims that remained outstanding. This aggregate amount has not been exceeded and given the fund currently has no outstanding claims it is unlikely further claims expenses will be incurred.

B1 REVENUE

B1-1 INSURANCE LEVIES

Insurance levies are recognised as revenue at the commencement of the risk period covered by the policy and accrued proportionally over the period of coverage.

Additional levies may be imposed in accordance with the indemnity rules and are accounted for separately and disclosed as income of the Fund.

All insurance levies collected via the Queensland Law Society Incorporated renewal process were transferred to the Law Claims Levy Fund. The levies collected and any surpluses of the Fund can only be used in accordance with the Indemnity Rules for insurance purposes.

B1-2 OTHER INCOME

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.

Distributions from investments are recognised in profit and loss when declared by fund managers.

Realised gains/losses represent the net gains/losses on the sale of investments and are recognised when investments are sold during the course of the year. Fair value gains/losses are recognised monthly based on fluctuations in market prices of investments.

Other revenue of $71k was received in 2019-20 as a distribution from the Liquidation Scheme of HIH ($2k) and FAI ($69k).

B2 EXPENSES

B2-1 ADMINISTRATION EXPENSES

The Fund reimburses costs incurred by the Society for execution of discrete projects relating to risk management in the profession. This includes the development of resources and educational units designed to reduce the exposure of solicitors with respect to compensation and/or damages claims. These resources include legal project management, the QLS Legal Ethics Course and Solicitor Advocates Course and publications for practice support and risk management.

	2020 $'000	2019 $'000
Management fees paid to the Society	41	52
Projects relating to risk management in the profession - grant to the Society	739	522
	780	574
Investment managers' fees	249	173
Sundry expenses	13	45
Total administration expenses	**1,042**	**792**

B2-2 AUDIT FEES

Total audit fees paid and payable to the Queensland Audit Office to perform the audit of the Fund's financial statement for 2019-20 are $20,300 (2019: $19,900). There are no non-audit services included in this amount.

B2-3 INSURANCE PREMIUMS

Insurance premiums are paid to Lexon Insurance Pte Ltd, a wholly owned entity of Queensland Law Society, under the Master Policy in accordance with the Indemnity Rules.

C1 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. 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:

	2020 $'000	2019 $'000
Current assets:		
Cash at bank	2,622	12
Short term deposits	13,286	25,418
Total cash and cash equivalents	**15,908**	**25,430**

C1 CASH AND CASH EQUIVALENTS (continued)

Reconciliation of the operating result for the year to net cash (used in)/generated from operating activities

	2020 $'000	2019 $'000
Operating result for the year	(954)	2,204
Adjustments for:		
Net investment income	314	(2,558)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(4,870)	642
Increase/(decrease) in payables	(10)	7
Increase/(decrease) in income in advance	(4,002)	1,258
Net cash (used in)/generated from operating activities	**(9,522)**	**1,553**

C2 RECEIVABLES

Receivables represent investment redemption, levies, GST, interest and distributions earned on funds held up to balance date which have not yet been received.

These financial assets are initially recognised at fair value plus transaction costs 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 Fund 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. A further allowance for impairment is calculated by applying the simplified approach to the calculation of lifetime expected credit losses. The percentage applied is calculated based on historical default rates with a forward-looking estimate adjustment which incorporates various risk factors appropriate for the class of receivable being assessed.

	2020 $'000	2019 $'000
Interest and distributions receivable	457	18
Levies receivable from the Society	4,739	344
GST receivable	41	5
Total receivables	**5,237**	**367**

C3 INVESTMENTS

Investments are held at fair value through profit or loss. The investments are managed and their performances are evaluated on a fair value basis, in accordance with a documented investment strategy.

	2020 $'000	2019 $'000
Investment in collective investment schemes	**56,990**	**57,304**

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

C4 INCOME IN ADVANCE

Income in advance relates to insurance levies collected from the profession during the renewals cycle in May in relation to the upcoming insurance year. Current year levies in advance relate to collections for the insurance year 1 July 2020 to 30 June 2021.

	2020 $'000	2019 $'000
Levies received in advance for next financial year	18,992	22,994

C5 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.

	2020 $'000	2019 $'000
Amounts payable to the Society	4	37
Investment management fees	-	-
Other payables and accruals	39	16
Total payables	**43**	**53**

D1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

D2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Recognition of Financial Instruments

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

Classification of Financial Instruments

Financial instruments are classified as follows:

- Cash and cash equivalents (see note C1)
- Receivables – held at amortised cost (see note C2)
- Investments – fair value through profit or loss (see note C3)
- Payables – held at amortised cost (see notes C5)

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

Financial risk

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

Currency risk

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

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

Management regularly reviews the performance and ensures all investments held are within the approved mandate.

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

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

Price and interest rate risk

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

The Fund seeks to reduce risk by diversifying across a range of securities, maturities and counterparties. Investment of funds are subject to risk control limits and constraints as follows:

Duration and tracking error limits (interest rate management)

- The Modified Duration of the funds is 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 (e.g. domestic, international – government, non-government) within the funds will be maintained in specified limits.

Credit limits

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

Credit risk limits for individual security investments

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

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

Sensitivity analysis

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

Interest rate sensitivity

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

Inflation risk sensitivity

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

Currency sensitivity

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

D2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis – continued

Equity sensitivity

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

Property stress

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

Credit spread stress

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

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

	2020 $'000	2019 $'000
Stress Test	**Upward impact**	
Interest rate	(96)	(132)
Inflation	(867)	(620)
Currency	(1,371)	(1,087)
	Downward impact	
Interest rate	69	96
Inflation	752	535
Currency	(214)	(492)
Stress Test	**Impact**	
Equity	(8,432)	(8,911)
Property	(846)	(766)
Credit spread	(1,830)	(1,644)

Liquidity risk

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

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

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

D3 CONTINGENT LIABILITIES AND EVENTS AFTER BALANCE DATE

Under the present insurance agreements the total liability of the Fund for the respective years of insurance is limited to $100,000 (1987-1994) and $500,000 (1995) per individual claim and this amount is reduced by the amount of the solicitors' deductible. Also an aggregate limit per respective year of insurance applies and this limits the total liability of the Fund. As at 30 June 2020, there are no claims against the Fund.

From 1 July 2001, the Fund has a policy with Lexon Insurance Pte Ltd (Lexon) which capped its liability at $5,000,000 for future claim payments up to and including the 1995-1996 insurance year. The Fund ceased to provide cover following the end of the 1995-1996 insurance year. Given the length of time it is unlikely that any further claims against the Fund will arise.

Based on actuarial advice in respect of the position of the Fund as at 30 June 2020 (Finity – August 2020), the insurance in place with regard to the limits per file, and the overall Fund's aggregate limit as at 30 June 2020, the Council is of the opinion that the funds on hand together with future investment income and deductibles, and in conjunction with Stop Loss cover with Lexon will ensure that all future claims will be met as and when they fall due.

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

E1 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

Accounting standards applied for the first time – AASB 1058 *Income of Not-for-profit Entities* and AASB 15 *Revenue from Contracts with Customers*

The Fund applied AASB 1058 *Income of Not-for-profit Entities* and AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-20. Comparative information for 2018-19 has not been restated and continues to be reported under AASB 1004 *Contributions* and AASB 118 *Revenue*. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

AASB 1058 Income of Not-for-profit Entities

AASB1058 has not had a material impact on the Fund as revenue continues to be recognised in the period to which it relates. This approach has not changed with the introduction of AASB 1058.

AASB 15 Revenue from Contracts with Customers

Whilst the Fund is not an insurer, the Fund has revenue from insurance levies. These levies continue to be recognised as revenue at the commencement of the risk period covered by the insurance policy and allocated proportionally over the period of coverage (a single financial year or less depending on the date the practitioner takes out coverage). This approach has not changed with the introduction of AASB 15.

The Fund has revenue from investment distributions, realised gains (which occur when an asset is sold) and interest. The types of revenue arise from contracts with the institutions with which the funds are invested. These continue to be recognised investment distributions when they are declared by fund managers, realised gains/(losses) when they are sold during the course of the year and interest as it accrues. This approach has not changed with the introduction of AASB 15.

AASB 15 had not had a material impact on the Fund.

No other accounting standards that apply to the Fund for the first time in 2019-20 have any material impact on the financial statements.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2019-20.

E2 TAXATION

The Fund is exempt from income tax by virtue of section 50-25 of the *Income Tax Assessment Act 1997* with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

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

b. the financial statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Law Claims Levy Fund for the financial year ended 30 June 2020 and of the financial position of the Fund as at the end of that year.

We acknowledge responsibility under s.7 and s.11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

President
Queensland Law Society
Luke Murphy

27/08/2020.

Chief Executive Officer
Queensland Law Society
Rolf Moses

27/08/2020

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INDEPENDENT AUDITOR'S REPORT

To the Council of Queensland Law Society Incorporated

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Law Claims Levy Fund.

In my opinion, the financial report:

a) gives a true and fair view of the entity's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended

b) complies with the Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Responsibilities of the entity 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 the Australian Accounting Standards, and for 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.

The Council is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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Auditor’s responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

28 August 2020

Melissa Fletcher
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

QLS SOLICITOR SUPPORT PTY LTD

Financial Report
For the period 10 September 2019
to 30 June 2020

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QLS Solicitor Support Pty Ltd
Statement of Comprehensive Income
for the period 10 September 2019 to 30 June 2020

	NOTES	2020 $	2019 $
Revenue			
Grant Funding	B1	1,263,627	-
Total revenue		**1,263,627**	**-**
Expenses			
Administration expenses	B2-1	34,930	-
Employee expenses	B2-2	671,169	-
Management Fees	B2-3	557,528	
Total expenses		**1,263,627**	**-**
Profit before tax		**-**	**-**
Income tax		-	-
Profit after tax		**-**	**-**
Other comprehensive income		-	-
Total comprehensive income for the year		**-**	**-**

The accompanying notes form part of these statements.

QLS Solicitor Support Pty Ltd

Statement of Financial Position as at 30 June 2020

	NOTES	2020 $	2019 $
Current assets			
Cash and cash equivalents	C1	49	-
Receivables	C3	28,877	-
Total current assets		**28,926**	**-**
Total assets		**28,926**	**-**
Current liabilities			
Payables	C4	28,806	-
Total current liabilities		**28,806**	**-**
Total liabilities		**28,806**	**-**
Net assets		**120**	**-**
Equity			
Share capital		120	-
Accumulated surplus		-	-
Total equity		**120**	**-**

The accompanying notes form part of these statements.

QLS Solicitor Support Pty Ltd

Statement of Changes in Equity for the period 10 September 2019 to 30 June 2020

	2020 $	2019 $
Accumulated surplus		
Balance at 1 July	-	-
Share capital issued	120	-
Total comprehensive income for the year	-	-
Balance at 30 June	**120**	**-**

The accompanying notes form part of these statements.

QLS Solicitor Support Pty Ltd

Statement of Cash Flows for the period 10 September 2019 to 30 June 2020

	NOTES	2020 $ Inflows/ (Outflows)	2019 $ Inflows/ (Outflows)
Cash flows from operating activities			
Grant funding and share capital		1,284,316	-
Administration and employee expenses and other payments		(1,284,387)	-
Net cash used by operating activities	C1	**(71)**	-
Cash flows from financing activities			
Share capital issued		**120**	
Net cash from financing activities	C1	**120**	-
Net increase in cash and cash equivalents held		**49**	-
Cash and cash equivalents at the beginning of the financial year		**-**	-
Cash and cash equivalents at the end of the financial year	**C1**	**49**	-

The accompanying notes form part of these statements.

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

QLS Solicitor Support Pty Ltd (QSS) was incorporated on 10 September 2019 and commenced operating on 1 October 2019.

QSS is an incorporated legal practice under the *Legal Profession Act* 2007 and is a wholly owned subsidiary of Queensland Law Society Incorporated (the Society).

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

QSS has prepared these financial statements in compliance with section 39 of the *Financial and Performance Management Standard 2019*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

QSS is a private company and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to private entities.

A1-3 PRESENTATION

Currency and rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest dollar.

Comparatives

QSS commenced operating during the 2019-20 financial year. As such there is no comparative information.

A1-4 BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except where stated otherwise.

A2 QSS'S OBJECTIVES

QSS's objectives are to provide legal services for the delivery of guidance, support and counsel to members of the Society and other legal practitioners on ethical and legal practice management issues. They also provide education and publications on legal ethics to the legal profession and practice management members of the Society and other legal practitioners.

A3 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by QSS's Chairperson and Public Officer at the date of signing the Management Certificate.

B1 REVENUE

QSS receives grant funding from the Society to contribute toward the cost of operating. Grants are recognised as revenue within the period they are received.

	2020 $	2019 $
Grant funding		
Grant funding	1,263,627	-
Total revenue	**1,263,627**	**-**

B2 EXPENSES

B2-1 ADMINISTRATION EXPENSES

	2020 $	2019 $
Insurance	17,235	-
Professional and consulting fees	6,117	-
Travel and accommodation	3,535	-
Audit fees	5,100	-
Other administration expenses	2,943	-
Total administration expenses	**34,930**	**-**

B2-2 EMPLOYEE EXPENSES

	2020 $	2019 $
Wages and salaries	586,315	-
Employer superannuation contributions	55,699	-
Movement in annual leave provision	3,954	-
Payroll tax	22,651	-
Workers compensation premiums	2,550	-
Total employee expenses	**671,169**	**-**

Accounting policy – wages and salaries

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at current salary rates. As QSS expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Accounting policy – superannuation

Superannuation contributions are made to eligible complying superannuation funds based on the rates specified in the relevant conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period. Any contributions due but unpaid at reporting date are recognised in the Statement of Financial Position at current rates. As QSS expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Accounting policy – workers' compensation premiums

QSS pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing staff, but is not counted in an employee's total remuneration package. It is not an employee benefit and is recognised separately as employee related expenses.

Key management personnel and remuneration disclosures are detailed in Note E1.

B2 EXPENSES (continued)

B2-3 MANAGEMENT FEES PAID TO THE QUEENSLAND LAW SOCIETY INCORPORATED

	2020 $	2019 $
Management fees	557,528	-
Total management fees paid to the Queensland Law Society Incorporated	**557,528**	**-**

QSS pays management fees to the Queensland Law Society Incorporated for services and resources used in the management and operating of the QSS business.

C1 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 and banked at 30 June as well as deposits on call with financial institutions.

	2020 $	2019 $
Cash on hand	49	-
Total cash and cash equivalents	**49**	**-**

Reconciliation of the operating result for the year to net cash used in operating activities

	2020 $	2019 $
Operating result for the year	-	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(28,877)	-
(Decrease)/increase in payables	28,806	-
Net cash used by operating activities	**(71)**	**-**

C2 FINANCIAL INSTRUMENTS

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when QSS becomes party to a contractual provision of a financial instrument.

Classification

Financial instruments are classified as follows:

- Receivables – held at amortised cost
- Payables – held at amortised cost
- Cash and cash equivalents

QSS does not hold any other financial instruments.

Liquidity risk

In the management of liquidity risks, QSS monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance QSS's operations and mitigate effects of fluctuations in cash flows.

QSS manages its expected cash flow requirements against the budget.

C3 RECEIVABLES

All receivables are recognised on an accrual basis and are carried at actual amounts. Receivables are measured at amortised cost which approximates their fair value at reporting date.

	2020 $	2019 $
Prepayments and other receivables	28,877	-
Total receivables	**28,877**	**-**

C4 PAYABLES

Trade creditors are recognised on receipt of 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.

	2020 $	2019 $
Funds received in advance	28,806	-
Total payables	**28,806**	**-**

D1 CONTINGENT LIABILITIES AND EVENTS AFTER BALANCE DATE

There were no known contingent liabilities at 30 June 2020. There are no events subsequent to reporting date requiring disclosure in the financial report.

E1 KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel and remuneration disclosures are made in accordance with the *Financial Reporting Requirements of Queensland Government Agencies for Reporting Periods beginning on or after 1 July 2019* (FRR) (Queensland Treasury, April 2020), consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*.

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Board during 2019-20. The role of Chair is supported by the appointed board members.

Position	Position Responsibility
Chairperson	Responsible for chairing QSS Board meetings, chairing an QSS Shareholder meetings, overseeing functions performed by board members, leading the board, authorising operational matters and complying with its obligations under the *Corporations Act 2001* (Cth) and as an ILP director under the *Legal Professional Act 2007* (Qld).
Director	Responsible for governing QSS to ensure it is appropriately run – including overseeing proper financial accounts, insurance and risk, providing strategic guidance, decision making with due care and consideration and complying with its obligations under the *Corporations Act 2001* (Cth).

Position	Person	Start of Term	End of Term
Chairperson and Director	Mr Stafford Shepherd	10/09/2019	Current
Director	Mr Matthew Dunn	10/09/2019	Current
Director	Ms Leanne Perry	10/09/2019	Current

KMP Remuneration Policy

The board of directors of QSS is constituted by three (voluntary) directors under clause 50 of its Constitution.

The directors are not remunerated for their services to QSS.

E2 RELATED PARTY TRANSACTIONS

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

	2020 $	2019 $
Grant funding paid by parent entity to QSS	1,263,627	-

E3 TAXATION

QSS is a taxable entity and therefore subject to tax on any taxable income.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act I certify that in my opinion:

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

b. the financial statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of QLS Solicitor Support Pty Ltd for the financial year ended 30 June 2020 and of the financial position of QSS as at the end of that year.

We acknowledge responsibility under s.7 and s.11 of the Financial and Performance Management Standard 2019 for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

Chairperson & Director
Stafford Shepherd

27th /08/2020.

L Perry

Public Officer & Director
Leanne Perry

27/08/2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of QLS Solicitor Support Pty Ltd

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of QLS Solicitor Support Pty Ltd.

In my opinion, the financial report:

a) gives a true and fair view of the company's financial position as at 30 June 2020, and its financial performance and cash flows for the period 10 September 2019 to 30 June 2020.

b) complies with Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 10 September 2019 to 30 June 2020, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.
- Conclude on the appropriateness of the company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

28 August 2020

Melissa Fletcher
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Financial Report
For the year ended 30 June 2020

Table of contents

Legal Practitioners’ Fidelity Guarantee Fund
Statement of Comprehensive Income for the year ended 30 June 2020

	NOTES	2020 $'000	2019 $'000
Revenue			
Practitioner levies	B1-1	308	296
Investment income	B1-2	1,119	1,282
Realised gains/(losses) on investments	B1-3	-	19
Fair value gains/(losses) on investments	B1-3	(1,344)	889
Total revenue		**83**	**2,486**
Expenses			
Administration expenses	B2-1	231	168
Notified claims (net of reversals)	C6	569	2,064
Investment fees		53	62
Management fees paid to the Queensland Law Society	B2-2	158	134
Total expenses		**1,011**	**2,428**
Operating result for the year		**(928)**	**58**
Other comprehensive income		-	-
Total comprehensive income for the year		**(928)**	**58**

The accompanying notes form part of these statements.

Legal Practitioners’ Fidelity Guarantee Fund
Statement of Financial Position as at 30 June 2020

	NOTES	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	C1	375	735
Receivables	C2	59	3
Investments	C3	29,961	31,151
Total current assets		**30,395**	**31,889**
Total assets		**30,395**	**31,889**
Current liabilities			
Payables	C4	44	13
Income in advance	C5	287	279
Provision for notified claims	C6	286	891
Total current liabilities		**617**	**1,183**
Total liabilities		**617**	**1,183**
Net assets		**29,778**	**30,706**
Equity			
Accumulated surplus		29,778	30,706
Total equity		**29,778**	**30,706**

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The accompanying notes form part of these statements.

Legal Practitioners' Fidelity Guarantee Fund
Statement of Changes in Equity for the year ended 30 June 2020

	2020 $'000	2019 $'000
Accumulated surplus		
Balance at 1 July	30,706	30,648
Total comprehensive income for the year	(928)	58
Balance at 30 June	**29,778**	**30,706**

The accompanying notes form part of these statements.

Legal Practitioners' Fidelity Guarantee Fund

Statement of Cash Flows for the year ended 30 June 2020

	NOTES	2020 $'000 Inflows (Outflows)	2019 $'000 Inflows (Outflows)
Cash flows from operating activities			
Contributions by practitioners and cost recoveries		261	379
Claim payments and administration expenses		(1,587)	(1,899)
Interest received		23	34
Net cash used in operating activities	**C1**	**(1,303)**	**(1,486)**
Cash flows from investing activities			
Proceeds from investments		943	1,732
Net cash generated from investing activities		**943**	**1,732**
Net increase/(decrease) in cash and cash equivalents held		**(360)**	**246**
Cash and cash equivalents at the beginning of the financial year		**735**	**489**
Cash and cash equivalents at the end of the financial year	**C1**	**375**	**735**

The accompanying notes form part of these statements.

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

Queensland Law Society Incorporated ('the Society'), pursuant to s359 of the *Legal Profession Act 2007* (the Act) is required to maintain the Legal Practitioners' Fidelity Guarantee Fund (the Fund).

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The Fund has prepared these financial statements in compliance with section 39 of the *Financial and Performance Management Standard 2019*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

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

A1-3 PRESENTATION

Currency and rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest $1,000 or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparatives

Comparative information reflects the audited 2018-19 financial statements.

Current/non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within twelve (12) months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within twelve (12) months after the reporting date, or the Fund does not have an unconditional right to defer settlement to beyond twelve (12) months after the reporting date.

All other assets and liabilities are classified as 'non-current'.

A1-4 BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except where stated otherwise.

Historical cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value

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

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-4 BASIS OF MEASUREMENT (continued)

Fair value is determined using one of the following three approaches:

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.

- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement costs methodology.

- The *income approach* converts multiple future cash flows amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued.

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

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

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

- level 1 – represents fair market value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;

- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and

- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

The fair value of investments is determined using the market approach and categorised into level 2 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

A2 THE FUND'S OBJECTIVES

The Fund has been established for the purpose of providing a source of compensation for defaults by law practices arising from acts or omissions of associates of the law practices. A major source of income for the Fund is levies from legal practitioners.

A3 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by the Queensland Law Society Incorporated's President and Chief Executive Officer at the date of signing the Management Certificate.

B1 REVENUE

B1-1 PRACTITIONER LEVIES

Revenues are recognised at the consideration received net of any amount of GST payable to the ATO. Practitioner levies are recognised as revenue in the applicable membership year.

B1-2 INVESTMENT INCOME

Distribution from investments income is recognised when declared by fund managers.

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges.

	2020 $'000	2019 $'000
Distributions from investments	1,097	1,248
Interest income	22	34
Total investment income	**1,119**	**1,282**

B1-3 GAINS/(LOSSES) ON INVESTMENTS

Realised gains/losses represent the net gains/losses on the sale of investments and are recognised when investments are sold during the course of the year. Fair value gains/losses are recognised monthly based on fluctuations in market prices of investments.

	2020 $'000	2019 $'000
Realised gains/(losses)	-	19
Unrealised gains/(losses)	(1,344)	889
Total gains/(losses) on investments	**(1,344)**	**908**

B2 EXPENSES

B2-1 ADMINISTRATION EXPENSES

	2020 $'000	2019 $'000
Employee expenses	178	118
Audit fees	11	11
Legal fees	37	8
Sundry expenses	5	31
Total administration expenses	**231**	**168**

Total audit fees paid and payable to the Queensland Audit Office to perform the audit of the Fund's financial statements for 2019-20 are $10,800 (2019: $10,600). There are no non-audit services included in this amount.

B2-2 MANAGEMENT FEES PAID TO THE QUEENSLAND LAW SOCIETY

	2020 $'000	2019 $'000
Management fees	158	134
Total management fees paid to the Queensland Law Society	**158**	**134**

C1 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 Fund's option.

	2020 $'000	2019 $'000
Cash assets	11	67
Cash deposit account	364	668
Total cash and cash equivalents	**375**	**735**

Reconciliation of operating result for the year to net cash (used in) operating activities

	2020 $'000	2019 $'000
Operating result for the year	(928)	58
Adjustments for:		
Net investment income	247	(2,137)
(Gain)/loss on disposal of investments	-	(19)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(56)	70
Increase/(decrease) in payables	31	(74)
Increase/(decrease) in income in advance	8	12
increase/(decrease) in provision for notified claims	(605)	604
Net cash (used in) operating activities	**(1,303)**	**(1,486)**

C2 RECEIVABLES

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

The Fund has brought to account fines and cost recoveries receivable from practitioners. These receivables have been recognised on an accruals basis and are carried at actual amounts less a provision for impairment.

The Fund 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. A further allowance for impairment is calculated by applying the simplified approach to the calculation of lifetime expected credit losses. The percentage applied is calculated based on historical default rates with a forward-looking estimate adjustment which incorporates various risk factors appropriate for the class of receivable being assessed. The table below is presented net of impairment.

	2020 $'000	2019 $'000
Interest receivable	-	1
Practitioner levies receivable from the Society	59	1
GST receivable	-	1
Total receivables	**59**	**3**

C3 INVESTMENTS

Investments are held at fair value through profit or loss. The investments are managed and their performances are evaluated on a fair value basis, in accordance with a documented investment strategy.

	2020 $'000	2019 $'000
Investment in managed funds	**28,615**	**31,151**

The portfolio of investments held consists of collective investment schemes. The fair value of the investments is determined using net asset value of the collective investment schemes. See Note B1-3 for details of gains/(losses) on investments.

Fair value measurements

All financial assets at fair value are classified as Level 2.

C4 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.

	2020 $'000	2019 $'000
Payable to the Society for annual leave entitlements	11	1
Payable to the Society for long service leave entitlements	4	2
Other payables and accruals	29	10
Total payables	**44**	**13**

C5 INCOME IN ADVANCE

Income in advance relates to Fidelity Fund levies collected from the profession in relation to the upcoming insurance year. Levies are collected by the Society on behalf of the Fund. Current year levies in advance relate to collections in May and June 2020 paid to the Fund by the Society for the financial year 1 July 2020 to 30 June 2021.

	2020 $'000	2019 $'000
Fidelity Guarantee Fund levies for upcoming year	**287**	**279**

C6 PROVISION FOR NOTIFIED CLAIMS

A provision is recognised when there is a present legal, equitable or constructive obligation as a result of a past event. It is recognised at the amount expected at reporting date for which the obligation will be settled in a future period.

Key estimates

Notified claims represent the estimated liability in relation to claims which have been notified but not yet admitted as a claim. Claims are brought to account in the year they are notified.

	2020 $'000	2019 $'000
Opening notified claims	891	287
Add notified claims (net of reversals)	569	2,064
Less payment of notified claims	(1,174)	(1,460)
Total provision for notified claims	**286**	**891**

D1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of claims liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including likely assessments of each claim based on facts present. Actual results may differ from these estimates.

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

Other than provision for notified claims disclosed in Note C6, the entity has made no judgements or assumptions which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

D2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Recognition of Financial Instruments

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

Classification of Financial Instruments

Financial instruments are classified as follows:

- Cash and cash equivalents (see note C1)
- Receivables – held at amortised cost (see note C2)
- Investments – fair value through profit or loss (see note C3)
- Payables – held at amortised cost (see note C4)

The Fund does not enter into transaction for speculative purposes, nor for hedging. The Fund's financial instruments consist mainly of deposits with banks and investment in managed funds

Financial risk

The Fund's activities expose it to a variety of financial risks: market risk, price and interest rate risk, and liquidity risk.

D2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Price and interest rate risk

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

The Fund seeks to reduce risk by diversifying across a range of securities, maturities and counterparties.

Management regularly reviews the performance and ensures all investments held are within the approved mandate.

The Fund manages interest rate and price risks through sensitivity analysis. The sensitivity analysis is performed relating to the Fund's exposure to interest rate risk and price risk at the end of the reporting period. The sensitivity analysis demonstrates the effect on the current year profit which could result from a change in interest rate and price as follows:

	2020 $'000	2019 $'000
Interest rate sensitivity analysis		
At 30 June, the effect on profit as a result of changes in the interest rate, with all other variables remaining constant would be as follows:		
Change in profit		
Increase in interest rate by 1%	4	7
Decrease in interest rate by 1%	(4)	(7)

	2020 $'000	2019 $'000
Price sensitivity analysis		
At 30 June, the effect on profit as a result of changes in the unit price of managed funds, with all other variables remaining constant would be as follows:		
Change in profit		
Increase in managed funds unit price by 5%	1,498	1,558
Decrease in managed funds unit price by 5%	(1,498)	(1,558)

Liquidity risk

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

The Fund manages its expected cash flow requirements against the budget. These are monitored in conjunction with available cash and investments readily convertible to cash.

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

D3 CONTINGENT LIABILITIES AND EVENTS AFTER BALANCE DATE

There are three contingent liabilities at 30 June 2020 (30 June 2019: Nil). Three claims have been received by the Fund ($16.6m, $0.4m and $0.06m). Based on current claim assessments considering the validity of each of the claims, the Fund does not expect to incur a liability. However until the claims are rejected there remains some risk to the Fund.

There are no events subsequent to reporting date requiring disclosure in the financial report. Due to the balanced nature of the investment portfolio, the COVID pandemic has had minimal long term impact on the Fund.

E1 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

Accounting standards applied for the first time – AASB 1058 *Income of Not-for-profit Entities* and AASB 15 *Revenue from Contracts with Customers*

The Fund applied AASB 1058 *Income of Not-for-profit* Entities and AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-20. Comparative information for 2018-19 has not been restated and continues to be reported under AASB 1004 *Contributions* and AASB 118 *Revenue*. The nature and effect of the adoption of these new accounting standards are described below.

AASB 1058 Income of Not-for-profit Entities

The Fund receives practitioner levies under a statutory requirement. There is no "contract" between the Fund and the payer of the levy. The levies fall within the scope of AASB 1058.

AASB 1058 has not had a material impact on the Fund as revenue continues to be recognised in the period to which it relates. This approach has not changed with the introduction of AASB 1058.

AASB 15 Revenue from Contracts with Customers

The Fund has revenue from investment distributions, realised gains (which occur when an asset is sold) and interest. The types of revenue arise from contracts with the institutions with which the funds are invested. Current accounting policy is to recognise investment distributions when they are declared by fund managers, realised gains/(losses) when they are sold during the course of the year and interest as it accrues. Under AASB 15, the timing of recognition of these types of revenue has not changed.

AASB 15 has not had a material impact on the Fund.

No other accounting standards that apply to the Fund for the first time in 2019-20 have any material impact on the financial statements.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2019-20.

E2 TAXATION

The Fund is exempt from income tax by virtue of section 50-25 of the *Income Tax Assessment Act 1997* with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Legal Practitioners' Fidelity Guarantee Fund

Management Certificate for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

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

b. the financial statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Legal Practitioners' Fidelity Guarantee Fund for the financial year ended 30 June 2020 and of the financial position of the Fund as at the end of that year.

We acknowledge responsibility under s.7 and s.11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

President
Queensland Law Society
Luke Murphy

27/08/2020.

Chief Executive Officer
Queensland Law Society
Rolf Moses

27/8/2020

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Council of Queensland Law Society Incorporated

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Legal Practitioners' Fidelity Guarantee Fund.

In my opinion, the financial report:

a) gives a true and fair view of the entity's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
b) complies with the Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*.

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

Responsibilities of the entity 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 the Australian Accounting Standards, and for 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.

The Council is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

28 August 2020

Melissa Fletcher
as delegate of the Auditor-General

Queensland Audit Office
Brisbane