

QUEENSLAND LAW SOCIETY INCORPORATED

Consolidated Financial Report
For the year ended 30 June 2022

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Queensland Law Society Incorporated

Statement of Comprehensive Income for the year ended 30 June 2022

		Consolidated		Parent Entity	
		2022	2021	2022	2021
		Actual	Actual	Actual	Actual
NOTE		\$'000	\$'000	\$'000	\$'000
Revenue					
Fees and membership services	B1-1	18,659	12,603	18,676	12,619
Rent and administration revenue	B1-2	462	454	1,020	1,002
Grants and funding	B1-3	716	33	1,708	1,028
Insurance levies	B1-4	26,375	20,490	-	-
Investment income	B1-5	8,892	11,426	204	226
Realised gains/(losses) on investments	C4	687	13	-	-
Fair value gains/(losses) on investments	C4	(17,536)	10,991	-	-
Other income		285	466	273	486
Total revenue		38,540	56,476	21,881	15,361
Expenses					
Membership services and events	B2-1	1,522	1,167	1,522	1,167
Administration expenses	B2-2	8,894	7,270	6,630	4,975
Employee expenses	B2-3	15,521	14,533	11,267	10,622
Depreciation and amortisation	C5	1,603	1,449	1,359	1,226
Insurance claims	B1-4	8,368	17,893	-	-
Unearned premium reserves	C8-2(b)	(1,233)	(8,902)	-	-
Reinsurance costs	B1-4	2,264	1,766	-	-
Stamp duty	B1-4	2,133	2,225	-	-
Brokerage fees		145	144	-	-
Total expenses		39,218	37,545	20,778	17,990
Operating (deficit)/surplus before income tax		(678)	18,931	1,103	(2,629)
Income tax (expense) / credit	F1-1	(225)	(4,593)	-	-
Operating (deficit)/surplus after income tax		(903)	14,338	1,103	(2,629)
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to operating result					
Increase/(decrease) in asset revaluation surplus	C5	-	1,870	-	1,870
Total comprehensive income		(903)	16,208	1,103	(759)

The accompanying notes form part of these statements.

Queensland Law Society Incorporated
Statement of Financial Position as at 30 June 2022

	NOTE	Consolidated		Parent Entity	
		2022	2021	2022	2021
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents	C1	69,350	66,860	64,186	35,996
Receivables	C2	1,437	1,196	878	1,216
Reinsurers' share of unearned premiums	C8-2(b)	2,325	1,933	-	-
Insurance contract liabilities ceded	C8-2(a)	214	82	-	-
Total current assets		73,326	70,071	65,064	37,212
Non-current assets					
Investment in controlled entities	C3	-	-	19,000	19,000
Investments	C4	185,460	195,638	-	-
Property, plant and equipment	C5	31,606	32,660	30,815	31,768
Deferred tax assets	F1-3	4,129	1,834	-	-
Insurance contract liabilities ceded	C8-2(a)	459	192	-	-
Total non-current assets		221,654	230,324	49,814	50,768
TOTAL ASSETS		294,980	300,395	114,879	87,980
Current liabilities					
Payables	C6	52,790	46,681	46,585	20,911
Accrued employee benefits	C7	1,887	1,689	1,221	1,120
Unearned premium reserves	C8-2(b)	996	2,229	-	-
Income tax payable	F1-2	2,477	115	-	-
Provision for outstanding claims	C8-2(a)	15,086	16,794	-	-
Total current liabilities		73,236	67,508	47,806	22,031
Non-current liabilities					
Accrued employee benefits	C7	267	263	217	197
Provision for outstanding claims	C8-2(a)	57,456	67,700	-	-
Total non-current liabilities		57,723	67,963	217	197
TOTAL LIABILITIES		130,959	135,471	48,023	22,228
NET ASSETS		164,021	164,924	66,856	65,752
EQUITY					
Accumulated surplus		136,589	137,492	39,424	38,320
Asset revaluation surplus		27,432	27,432	27,432	27,432
TOTAL EQUITY		164,021	164,924	66,856	65,752

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Statement of Changes in Equity for the year ended 30 June 2022

Consolidated	NOTE	Asset		TOTAL \$'000
		Revaluation	Accumulated	
		Surplus \$'000	Surplus \$'000	
Balance as at 1 July 2020		25,562	123,154	148,716
Operating result				
Operating surplus/(deficit) after income tax		-	14,338	14,338
Other comprehensive income				
Increase in asset revaluation surplus	C5-1	1,870	-	1,870
Balance as at 30 June 2021		27,432	137,492	164,924
Operating result				
Operating surplus/(deficit) after income tax		-	(903)	(903)
Other comprehensive income				
Balance as at 30 June 2022		27,432	136,589	164,021

Parent Entity	NOTE	Asset		TOTAL \$'000
		Revaluation	Accumulated	
		Surplus \$'000	Surplus \$'000	
Balance as at 1 July 2020		25,562	40,949	66,511
Operating result				
Operating surplus/(deficit) after income tax		-	(2,629)	(2,629)
Other comprehensive income				
Increase in asset revaluation surplus	C5-2	1,870	-	1,870
Balance as at 30 June 2021		27,432	38,320	65,752
Operating result				
Operating surplus/(deficit) after income tax		-	1,103	1,103
Other comprehensive income				
Balance as at 30 June 2022		27,432	39,424	66,856

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Statement of Cash Flows for the year ended 30 June 2022

	NOTE	Consolidated		Parent Entity	
		2022	2021	2022	2021
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from the profession		48,670	43,283	19,926	18,692
Receipts from commissions and funding		1,094	157	2,085	1,154
Payments to suppliers and employees		(42,149)	(24,367)	(20,293)	(17,601)
Receipts collected for Society entities		-	-	26,375	20,490
Payments to Society entities		-	-	(3,691)	(21,489)
Receipts collected for Legal Practitioners' Fidelity Guarantee Fund		151	151	653	653
Payments to Legal Practitioners' Fidelity Guarantee Fund		(151)	(151)	(653)	(653)
Reinsurance payments		(1,703)	(1,590)	-	-
Claims and claims related payments		(8,322)	(17,277)	-	-
Interest received		221	269	204	226
GST receipts		3,749	3,582	3,743	3,575
GST paid to ATO		(362)	(1,467)	246	(1,999)
Income tax paid	F1-2	(158)	291	-	-
Net cash (used in)/generated from operating activities	C1	1,040	2,881	28,596	3,048
Cash flows from investing activities					
Proceeds from investment redemptions	C4	2,000	6,000	-	-
Payments for property, plant and equipment	C5	(550)	(1,794)	(405)	(1,794)
Net cash generated from/(used in) investing activities		1,450	4,206	(405)	(1,794)
Net increase/(decrease) in cash and cash equivalents held		2,490	7,087	28,190	1,254
Cash and cash equivalents at the beginning of the year		66,860	59,773	35,996	34,742
Cash and cash equivalents at the end of the year	C1	69,350	66,860	64,186	35,996

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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.

The principal place of business of the Society is 179 Ann Street, Brisbane QLD 4000.

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 2021.

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 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 2020-21 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 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

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.

A1-5 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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-5 BASIS OF MEASUREMENT (continued)

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 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 (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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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. QSS was wholly controlled for the whole year.
- 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:

2021-22

Name of Entity	Controlling Interest %	Total Assets \$m	Total Liabilities \$m	Total Revenue \$m	Operating Results \$m
Law Claims Levy Fund	100	81.4	27.4	26.4	(3.5)
Lexon Insurance Pte Ltd	100	171.0	108.9	23.0	1.4
QLS Solicitor Support	100	0.0	0.0	1.4	0.0

2020-21

Name of Entity	Controlling Interest %	Total Assets \$m	Total Liabilities \$m	Total Revenue \$m	Operating Results \$m
Law Claims Levy Fund	100	83.2	25.7	20.5	(1.6)
Lexon Insurance Pte Ltd	100	177.1	116.5	24.8	11.3
QLS Solicitor Support	100	0.0	0.0	1.4	0.0

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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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 and recognised as a current liability under AASB 15 Revenue from Contracts with Customers.

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 following table provides information about the nature and timing of the satisfaction of performance obligations:

Type of good or service	Nature and timing of performance obligations	Revenue recognition
Practising certificate fees	Certificates are valid for 12 months from 1 July each year. There is no provision for a return of funds should members cease to practise during the year. Refunds are uncommon and are assessed on a case by case basis.	Revenue is recognised at the completion of each service.
Membership fees	Memberships are valid for 12 months from 1 July each year. There is no provision for a return of funds should members cease to practise during the year. Refunds are uncommon and are assessed on a case by case basis.	Revenue is recognised at the completion of each service.
Limitation of liability scheme	Scheme participation is valid for 12 months from 1 July each year. There is no provision for a return of funds should members cease to practise during the year. Refunds are uncommon and are assessed on a case by case basis.	Revenue is recognised at the completion of each service.
Specialist accreditation fee	Accreditation fees are valid for 12 months from 1 July each year. There is no provision for a return of funds should members cease to practise during the year. Refunds are uncommon and are assessed on a case by case basis.	Revenue is recognised at the completion of each service.
Certificate of fitness	Certificates are issued within 5 working days from application.	Revenue is recognised at the completion of each service.

COVID-19 has materially impacted the fees and membership services revenue in 2020-21. The Society provided discounts to membership fees (50%) and practising certificates (26.1%) for 2020-21. Courses and conferences were also impacted in 2020-21 due to the inability to deliver face to face events for the majority of the year.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

B1-1 FEES AND MEMBERSHIP SERVICES (continued)

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Membership and practitioner fees				
Practising certificate fees	8,865	6,339	8,872	6,346
Member fees	5,894	3,194	5,900	3,200
Limitation of liability scheme	1,021	832	1,021	832
Specialist accreditation fee	246	311	246	311
Certificate of fitness	76	57	76	57
	16,102	10,733	16,115	10,746
Membership services and events				
Courses, conferences and events	1,398	1,248	1,402	1,251
Membership services and products	594	311	594	311
Advertising and subscriptions	159	151	159	151
Marketing and sponsorship	406	160	406	160
	2,557	1,870	2,561	1,873
Total fees and membership services	18,659	12,603	18,676	12,619

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

B1-2 RENT AND ADMINISTRATION REVENUE

Rental revenue is recognised as income as it is received. The Group has tenants occupying various levels throughout the building.

Under the rules of the Act, certain operating expenses of the Society such as management fees are recoverable from the Legal Practitioners' Fidelity Guarantee Fund (LPFGF) and the Legal Practitioners Admissions Board (LPAB).

LPFGF is a fund managed by the Society that 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.

LPAB is a separate statutory body and its primary role is to assist the Supreme Court of Queensland by making a recommendation about each application for admission. The Society provides administrative support to the Board including secretariat support.

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Rent	212	214	217	219
Body corporate administration fee	26	25	26	25
Management fees				
Lexon Insurance Pte Ltd	-	-	508	494
Law Claims Levy Fund	-	-	45	49
Legal Practitioners' Fidelity Guarantee Fund	156	160	156	160
Legal Practitioners Admissions Board	69	55	69	55
Total rent and administration revenue	462	454	1,020	1,002

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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.

Where the grant agreement is enforceable and contains sufficiently specific performance obligations for the Society to transfer goods or services to a third-party on the grantor's behalf, the transaction is accounted for under AASB 15 Revenue from Contracts with Customers. In this case, revenue is initially deferred (as a contract liability) and recognised as or when the performance obligations are satisfied.

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Queensland Law Foundation	29	33	29	33
Law Claims Levy Fund	-	-	992	995
Legal Practitioner Fidelity Guarantee Fund	687	-	687	-
Total grants and funding	716	33	1,708	1,028

Queensland Law Foundation (QLF) provided grants for a number of projects and initiatives to benefit members, including access to specialist supports to assist during the COVID-19 pandemic.

The 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.

The LPFGF is reimbursing costs incurred by the Society for execution of programs or tools to assist law practitioners in identifying defaults and educational programs improving compliance.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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.

COVID-19 materially impacted the insurance levies received in relation to 2020-21. The Society, via LCLF, provided a discount to insurance levies (20%) for 2020-21. No material impact in FY 2021-22 is noted.

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Insurance levies	26,375	20,490	-	-
Unearned premium reserve (Note C8-2(b))	1,233	8,903	-	-
Reinsurance costs	(2,264)	(1,766)	-	-
Net premium revenue	25,344	27,627	-	-
Claims expense	(10,518)	(18,786)	-	-
Reinsurance and other recoveries	2,150	893	-	-
Net claims incurred (Note C8-2(a))	(8,368)	(17,893)	-	-
Stamp duty	(2,133)	(2,225)	-	-
Underwriting expenses (Lexon administrative and operating expenses)	(7,027)	(6,395)	-	-
Underwriting result	7,816	1,114	-	-

B1-5 INVESTMENT INCOME

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

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Distributions from investments	8,671	11,157	-	-
Interest income	221	269	204	226
Total investment income	8,892	11,426	204	226

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

B2 EXPENSES

B2-1 MEMBERSHIP SERVICES AND EVENTS EXPENDITURE

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Direct membership services and events expenditure				
Courses, conferences and events	244	191	244	191
Membership products and services	277	282	277	282
Printing and publications	102	106	102	106
Law Council capitation fees	899	588	899	588
Total membership services and events expenditure	1,522	1,167	1,522	1,167

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

B2-2 ADMINISTRATION EXPENSES

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Office administration and insurance	613	907	1,225	1,198
Actuarial fees	133	120	-	-
Audit fees * #	215	199	86	81
Bad debts	53	68	87	-
Body corporate, electricity, rates and taxes	507	517	503	513
Captive managers fee	106	103	-	-
Catering, functions and entertainment	232	76	208	64
Regulatory audits and investigations	67	28	67	28
Directors' fees	419	327	-	-
Bank fees and finance costs	121	140	94	112
Information technology and related costs	1,829	1,556	1,260	1,016
Investment management fees	783	744	-	-
Office rent	(7)	9	-	-
Presentations, donations and gifts	127	59	127	59
Professional and consulting fees	2,376	1,223	1,930	855
Repairs and maintenance	205	225	203	220
Travel and vehicle costs	330	201	55	63
Liability capping scheme	341	324	341	324
	8,450	6,826	6,186	4,532
Council and committee costs				
Honorarium	406	397	406	397
Travel and accommodation	25	35	25	35
Catering and functions	13	11	13	11
	444	443	444	443
Total administration expenses	8,894	7,270	6,630	4,975

*Total audit fees paid to Queensland Audit Office for the Society relating to the 2021-22 financial year are estimated to be \$85,500 (2020-21: \$81,100) and for the Group are estimated to be \$215,000 (2020-21 : \$199,000). 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 2021-22 financial year are estimated to be \$103,000 (2020-21: \$92,361). Taxation fees paid to PWC Brisbane are disclosed in the professional and consulting fee line above and in the 2021-22 financial year amount to \$34,457 (2020-21: \$34,645). In addition in 2021-22 there was \$6,000 paid to PWC Legal Brisbane (2020-21 \$17,340).

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

B2-3 EMPLOYEE EXPENSES

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Employee benefits				
Wages and salaries	13,262	12,511	9,646	9,159
Employer superannuation contributions	1,248	1,158	924	862
Movement in annual leave provision	121	(58)	68	(48)
Movement in long service leave provision	73	126	45	69
Staff training and development	23	27	19	29
Employee related expenses				
Workers' compensation premiums	44	41	36	33
Payroll taxes	721	696	505	492
Other employee benefits	28	33	24	26
Total employee expenses	15,521	14,533	11,267	10,622

Employee numbers

	Consolidated		Parent	
	2022	2021	2022	2021
Number of employees at year end	142	136	125	119
Number of full time equivalent employees at year end	132	121	115	104

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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Cash at bank	22,615	1,577	21,250	739
Cash deposit accounts	20,735	45,659	16,936	19,633
Term deposits	26,000	19,624	26,000	15,624
Total cash and cash equivalents	69,350	66,860	64,186	35,996

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

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Operating (deficit) surplus after income tax	(903)	14,338	1,103	(2,629)
Adjustments for:				
Investment income	8,178	(22,160)	-	-
Add/(less) non-cash items:				
Depreciation and amortisation	1,603	1,449	1,359	1,226
Change in assets and liabilities:				
(Increase)/decrease in assets:				
Receivables	(207)	286	338	(550)
Movement in provision for bad debts	(34)	69	-	-
Assets recognised due to AASB 16	-	(812)	-	-
Increase/(decrease) in liabilities:				
Payables	6,109	14,093	25,674	5,025
Accrued employee benefits	202	12	121	(24)
Provision for outstanding claims	(13,975)	(9,280)	-	-
Tax related balances	66	4,886	-	-
Net cash (used in)/generated from operating activities	1,040	2,881	28,595	3,048

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

C2 RECEIVABLES

Receivables are measured at amortised cost which approximates their fair value at reporting date. 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.

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Accounts receivable	644	297	319	519
Less: provision for doubtful debts	(65)	(99)	-	-
	579	198	319	519
Prepaid expenses and other receivables	858	998	559	697
Total receivables	1,437	1,196	878	1,216

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Investment in Controlled Entities	-	-	19,000	19,000

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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 2022, 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.

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.

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Investment in listed funds				
Opening balance	195,638	179,478	-	-
Additions via reinvestment	8,671	11,157	-	-
Disposal proceeds	(2,000)	(6,000)	-	-
Gain / (loss) on disposal	687	13	-	-
Fair value movements	(17,536)	10,991	-	-
Closing balance	185,460	195,638	-	-

Fair value measurements

		Consolidated		Parent Entity	
		2022	2021	2022	2021
		\$'000	\$'000	\$'000	\$'000
Fair Value Input	Type				
Level 1	None	-	-	-	-
Level 2	Investments	185,460	195,638	-	-
Level 3	None	-	-	-	-
		185,460	195,638	-	-

All investments as classified as Level 2 and are placed with Queensland Investment Corporation (QIC). 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 as per note A1-5.

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

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

C5 PROPERTY, PLANT AND EQUIPMENT

C5-1 CONSOLIDATED

	Buildings \$'000	Plant and Equipment \$'000	Work In Progress \$'000	Intangibles- Software \$'000	Total \$'000
2022					
Cost or valuation					
At the beginning of the year	27,740	8,645	1,011	2,279	39,675
Additions	-	232	318	-	549
Transfers between classes	-	-	(1,176)	1,176	-
Revaluations	-	(326)	-	-	(326)
At the end of the year	27,740	8,551	153	3,454	39,898
Depreciation					
At the beginning of the year	-	(5,322)	-	(1,693)	(7,015)
Charge for the year	(749)	(603)	-	(251)	(1,603)
Revaluations	-	326	-	-	326
At the end of the year	(749)	(5,599)	-	(1,944)	(8,292)
Net book value at 30 June 2022	26,991	2,952	153	1,511	31,606
2021					
Cost or valuation					
At the beginning of the year	27,441	7,817	172	1,824	37,254
Additions	485	16	1,238	55	1,794
Additions - right of use assets	-	812	-	-	812
Transfers between classes	-	-	(399)	399	-
Revaluations	(186)	-	-	-	(186)
At the end of the year	27,740	8,645	1,011	2,279	39,675
Depreciation					
At the beginning of the year	(1,370)	(4,762)	-	(1,490)	(7,622)
Charge for the year	(686)	(560)	-	(203)	(1,449)
Revaluations	2,056	-	-	-	2,056
At the end of the year	-	(5,322)	-	(1,693)	(7,015)
Net book value at 30 June 2021	27,740	3,323	1,011	586	32,660
Property, plant and equipment is stated as follows:					
30 June 2022					
At valuation	27,740	-	-	-	27,740
At cost	-	8,551	153	3,454	12,159
At the end of the year	27,740	8,551	153	3,454	39,899
Depreciation	(749)	(5,599)	-	(1,944)	(8,292)
	26,991	2,952	153	1,511	31,606
30 June 2021					
At valuation	27,740	-	-	-	27,740
At cost	-	8,645	1,011	2,279	11,935
At the end of the year	27,740	8,645	1,011	2,279	39,675
Depreciation	-	(5,322)	-	(1,693)	(7,015)

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

C5-2 PARENT ENTITY

	Buildings \$'000	Plant and Equipment \$'000	Work In Progress \$'000	Intangibles- Software \$'000	Total \$'000
2022					
Cost or valuation					
At the beginning of the year	27,740	7,142	1,011	1,758	37,651
Additions	-	88	318	-	406
Transfers between classes	-	-	(1,176)	1,176	-
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
At the end of the year	27,740	7,230	153	2,934	38,057
Depreciation					
At the beginning of the year	-	(4,680)	-	(1,203)	(5,883)
Charge for the year	(749)	(376)	-	(234)	(1,359)
Revaluations	-	-	-	-	-
At the end of the year	(749)	(5,056)	-	(1,437)	(7,242)
Net book value at 30 June 2022	26,991	2,174	153	1,497	30,815
2021					
Cost or valuation					
At the beginning of the year	27,441	7,125	172	1,305	36,043
Additions	485	17	1,238	54	1,794
Transfers between classes	-	-	(399)	399	-
Revaluations	(186)	-	-	-	(186)
At the end of the year	27,740	7,142	1,011	1,758	37,651
Depreciation					
At the beginning of the year	(1,370)	(4,312)	-	(1,031)	(6,713)
Charge for the year	(686)	(368)	-	(172)	(1,226)
Revaluations	2,056	-	-	-	2,056
At the end of the year	-	(4,680)	-	(1,203)	(5,883)
Net book value at 30 June 2021	27,740	2,462	1,011	555	31,768
Property, plant and equipment is stated as follows:					
30 June 2022					
At valuation	27,740	-	-	-	27,740
At cost	-	7,230	153	2,934	10,316
At the end of the year	27,740	7,230	153	2,934	38,057
Depreciation	(749)	(5,056)	-	(1,437)	(7,242)
	26,991	2,174	153	1,497	30,815
30 June 2021					
At valuation	27,740	-	-	-	27,740
At cost	-	7,142	1,011	1,758	9,911
At the end of the year	27,740	7,142	1,011	1,758	37,651
Depreciation	-	(4,680)	-	(1,203)	(5,883)
	27,740	2,462	1,011	555	31,768

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 historical cost 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. Buildings and leasehold improvements are recognised at historical cost 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.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

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

	2022	2021
<i>Asset Class</i>		
Buildings	2.5%	2.5%
Plant and Equipment	10% - 33%	10% - 33%
Intangibles	12.5% -20%	12.5% -20%

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

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 as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. 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 depreciation.

C5-6 MEASUREMENT USING FAIR VALUE (continued)

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.

An independent valuation of the strata title building was carried out as at 30 April 2022 by Peter Zischke, a member of the Institute of Valuers of Australia, and was on the basis of the open market value of Law Society House in vacant possession with all units combined. The resulting change in the open market value has been recognised as Other Comprehensive Income in the Statement of Comprehensive Income. The last independent valuation was performed in 30 June 2021.

Between independent valuations, the Society uses the Implicit Price Deflator for non-residential buildings indices to index the carrying amount of the building. Where there has been a material 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. 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 2022 are all Level 2 – Strata Title Building. Basis of measurement is detailed at Note A1-5.

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".

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Income in advance	15,060	14,990	15,060	14,966
Unearned insurance levies	27,370	25,139	-	-
Trade creditors	1,269	1,199	301	219
Legal Practitioners' Fidelity Guarantee Fund	377	60	377	60
Law Claims Levy Fund	-	-	26,455	3,742
Lease Liability	744	852	-	-
Other payables and accruals	7,970	4,441	4,392	1,924
Total payables	52,790	46,681	46,585	20,911

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

C7 ACCRUED EMPLOYEE BENEFITS

Annual leave and long service leave

The liabilities for annual leave are expected to be settled wholly within 12 months and are recognised as current liabilities.

The liabilities for long service 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. Re-measurements 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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Current				
Annual leave	871	747	621	551
Long service leave	1,016	942	600	569
Total current accrued employee benefits	1,887	1,689	1,221	1,120
Non-current				
Long service leave	267	263	217	197
Total non-current accrued employee benefits	267	263	217	197
Current long service leave	1,016	942	600	569
Non-current long service leave	267	263	217	197
Total accrued long service leave	1,283	1,205	817	766

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 policy holder) by agreeing to compensate the policy holder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policy holder 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%.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Opening provision for outstanding claims	84,494	85,038	-	-
Claims incurred	11,162	18,603	-	-
Claims paid during the year	(22,027)	(19,083)	-	-
Movement in claims handling provision	(1,088)	(64)	-	-
Closing provision for outstanding claims	72,542	84,494	-	-
Opening insurance contract liabilities ceded	(274)	(701)	-	-
Movement in reinsurance recoveries	(399)	427	-	-
Reinsurance receivables invoiced	-	-	-	-
Closing insurance contract liabilities ceded	(673)	(274)	-	-
Net outstanding claims	71,869	84,220	-	-
Law Claims Levy Fund	-	-	-	-
Lexon Insurance Pte Ltd	71,869	84,220	-	-
Net outstanding claims	71,869	84,220	-	-

Disclosed in the Statement of Financial Position as:	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Current insurance contract liabilities ceded	(214)	(82)	-	-
Non-current contract liabilities ceded	(459)	(192)	-	-
Insurance contract liabilities ceded	(673)	(274)	-	-
Current provision for outstanding claims	15,086	16,794	-	-
Non-current provision for outstanding claims	57,456	67,700	-	-
Provision for outstanding claims	72,542	84,494	-	-
Net claims outstanding	71,869	84,220	-	-

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

C8 PROVISIONS (continued)

C8-2 INSURANCE LIABILITIES (continued)

(a) Provision for outstanding claims (continued)

Outstanding claims (continued)

Maturity analysis

	<1 year	1 to 5 years	>5 years	Total
2022	\$'000	\$'000	\$'000	\$'000
Gross central estimate	15,086	29,454	7,868	52,408
Reinsurance recoveries	(214)	(390)	(127)	(731)
Net central estimate	14,872	29,064	7,741	51,677
Discount				(3,969)
Risk margins				18,538
Claims handling				5,622
Net claims outstanding				71,869

	<1 year	1 to 5 years	>5 years	Total
2021	\$'000	\$'000	\$'000	\$'000
Gross central estimate	16,794	33,087	8,783	58,664
Reinsurance recoveries	(82)	(155)	(42)	(279)
Net central estimate	16,712	32,932	8,741	58,385
Discount				(919)
Risk margins				20,044
Claims handling				6,710
Net claims outstanding				84,220

Risk margin

The risk margin (after allowance for claims handling expenses) included in the net outstanding claims is 36.8% (2020-21: 33.2%) of the central estimate, with a probability of sufficiency of approximately 90% (2020-21: 90%).

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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 2022			For the year ended 30 June 2021		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred						
Undiscounted	16,984	(2,966)	14,018	17,711	(192)	17,519
Discount	(1,408)	(1,695)	(3,103)	(358)	54	(304)
	15,577	(4,661)	10,915	17,353	(138)	17,215
Reinsurance recoveries						
Undiscounted	(134)	(318)	(452)	(95)	521	426
Discount	12	42	54	2	(2)	-
	(122)	(276)	(398)	(93)	519	426
Net claims						
Undiscounted	16,850	(3,284)	13,566	17,616	329	17,945
Discount	(1,396)	(1,653)	(3,049)	(356)	52	(304)
	15,454	(4,937)	10,517	17,260	381	17,641
Risk margins	6,664	(8,170)	(1,506)	6,884	(6,816)	68
Claims handling	1,696	(2,783)	(1,087)	1,910	(1,972)	(62)
Net claims incurred	23,814	(15,890)	7,924	26,054	(8,407)	17,647

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 2021 by Mr Andrew Cohen (FIAA) and Mr Collin Wang (FIAA) of Finity Consulting Pty Ltd. The key assumptions are detailed in Note D1.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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.

Unearned premium and premium reserves

	2022 \$'000	2021 \$'000
Opening unearned premiums	25,139	18,992
Movement in unearned premiums during the year	2,231	6,147
Closing unearned premiums	27,370	25,139
Opening unearned premium reserves	2,229	11,131
Movement in unearned premium reserves	(1,233)	(8,902)
Closing unearned premium reserves	996	2,229
To be earned within 12 months	28,366	27,368
Total unearned premiums and reserves	28,366	27,368

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

	2022 \$'000	2021 \$'000
Unearned premium	27,370	25,139
Unearned premium reserves	996	2,229
Total unearned premium and reserves	28,366	27,368
Reinsurers' share of unearned premium reserves	(2,325)	(1,933)
Net unearned premiums and reserves	26,041	25,435

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

C8 PROVISIONS (continued)

C8-2 INSURANCE LIABILITIES (continued)

(b) Unearned Premium and Reserves (continued)

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

	2022 \$'000	2021 \$'000
Undiscounted central estimate	21,305	18,748
Discount to present value	(2,443)	(548)
Discounted central estimate	18,862	18,200
Reinsurance and other costs	2,434	3,349
Claims handling costs	1,931	1,854
Risk margin	5,139	3,965
Expected present value of future cash flows for future claims including risk margin	28,366	27,368
Unearned premiums	27,370	25,139
Deficiency	996	2,229

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 22.4% (2020-21: 18.2%) 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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

C8 PROVISIONS (continued)

C8-2 INSURANCE LIABILITIES (continued)

(b) Unearned Premium and Reserves (continued)

Maturity analysis

	<1 year	1 to 5 years	>5 years	Total
	\$'000	\$'000	\$'000	\$'000
2022				
Unearned premium reserves				
Unexpired risk reserve	-	-	-	-
Gross central estimate	3,490	14,831	5,620	23,941
Unexpired risk reserves - reinsurance	(32)	(347)	(132)	(511)
Net central estimate	3,458	14,483	5,488	23,430
Discount				(2,451)
Risk margins				5,139
Duty and other costs				317
Claims handling				1,931
Total unearned premium and reserves				28,366
2021				
Unearned premium reserves				
Unexpired risk reserve	-	-	-	-
Gross central estimate	3,029	12,442	5,439	20,910
Unexpired risk reserves - reinsurance	(22)	(228)	(100)	(350)
Net central estimate	3,007	12,214	5,339	20,560
Discount				(548)
Risk margins				3,965
Duty and other costs				1,537
Claims handling				1,854
Total unearned premium and reserves				27,368

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

C9 LEASES

C9-1 LEASES AS LESSEE

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

(a) Carrying amounts - Right-of-use assets classified within Property, plant and equipment

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Leasehold premises	649	812	-	-
Leasehold motor vehicles	62	39	-	-
Total	711	851	-	-

(b) Depreciation charge during the year

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Leasehold premises	162	140	-	-
Leasehold motor vehicles	44	39	-	-
Total	206	179	-	-

(c) Interest expense

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Interest expense on lease liabilities	40	7	-	-

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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

C9 LEASES (continued)

C9-2 LEASES AS LESSOR (continued)

(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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Less than 1 year	40	13	40	13
1 to 5 years	-	105	-	105
Total	40	118	40	118

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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 recoverable 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	24.4%	16.7%	14.6%	6.7%	4.9%	3.2%	2.0%
Prior Year	24.6%	18.5%	16.4%	7.0%	5.1%	3.5%	2.3%

- The average cost per solicitor (used in the BF method) adopted is \$2,500 (2021: \$2,800).
- 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 3.19% (2021: 0.60%) 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 \$2,400 (2021: \$2,500)
- The estimated growth in solicitor numbers is 3.0% (2021: 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 \$127.1 million (2021: \$112.6 million) before risk margins; and \$107.7 million (2021: \$92.5 million) after allowing risk margins to the 90th probability of sufficiency. The unused net exposure per policy year ranges from \$0 to \$13 million (2021: \$0 to \$13.3 million) with an average of \$8.3 million (2021: \$7.7 million); however this increases to \$9 million (2021: \$8.4 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% (2021: 10%) reserve under estimation results in an additional gross undiscounted reserve of \$5.3 million (2021: \$5.9 million) and net discounted reserve (after risk margins) of \$7.2 million (2021: \$8.4 million) or 10% (2021: 10%) of the discounted net central estimate plus risk margins.
- Reserve over estimation: If estimated reserves on all years improved by 10% (2021: 10%) then it would result in a decrease in gross undiscounted reserve of \$5.3 million (2021: \$5.9 million) and the total net provision (after risk margins) would decrease by \$7.2 million (2021: \$8.4 million) or 10% (2021: 10%) of the discounted net central estimate plus risk margins.
- Discount rate: A half a percentage point decrease in discount rate from 3.19% (2021: 0.6%) to 2.69% (2021: 0.10%) would increase the provision by \$0.9 million (2021: \$1.1 million) or 1.2% (2021: 1.3%) of the discounted net central estimate plus risk margins.
- Claims handling provision: A one percentage point increase in the claims handling rate applied would increase the provision by \$0.6 million (2021: \$0.7 million) or 0.78% (2021: 0.8%) 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 under estimation: An increase in the cost per solicitor from A\$2,500 to A\$3,000 (2021: A\$2,800 to A\$3,300) increases our provision by A\$2.9 million (2021: A\$2.7 million) or 4.1% (2021: 3.4%) of the discounted net central estimate plus risk margins.
- Cost per solicitor over estimation: A reduction in the cost per solicitor from A\$2,500 to A\$2,000 (2021: A\$2,800 to A\$2,300) reduces our provision by A\$2.9 million (2021: A\$2.7 million) or 4.1% (2021: 3.2%) 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% (2021: 10%) under estimation results in an additional gross undiscounted reserve of A\$2.6 million (2021: A\$2.4 million) and net discounted reserve (after risk margins) of A\$2.6 million (2021: A\$2.4 million) or 9.2% (2021: 9.3%) of the discounted net unearned premium reserve estimate including risk margins
- Solicitor number over estimation: A 10% (2021: 10%) over estimation results in a decrease in gross undiscounted reserve of A\$2.6 million (2021: A\$2.4 million) and net discounted reserve (after risk margins) of A\$2.6 million (2021: A\$2.4 million) or 9.2% (2021: 9.3%) 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\$2,666 to A\$3,166 (2021: A\$2,500 to A\$3,000) increases our provision by A\$4.9 million (2021: A\$4.8 million) or 17.3% (2021: 18.7%) of the discounted net unearned premium reserve estimate including risk margins.
- Cost per solicitor over estimation: A reduction in the cost per solicitor from A\$2,666 to A\$2,166 (2021: A\$2,500 to A\$2,000) reduces our provision by A\$4.9 million (2021: A\$4.8 million) or 17.3% (2021: 18.7%) 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 recoverable 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.

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-1 INSURANCE RISK (continued)

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

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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-1 INSURANCE RISK (continued)

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

Claims development history

	2015/16 & prior	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross								
Estimate of ultimate claims								
Costs:								
· at end of reporting year		18,184	19,879	17,363	16,411	17,744	17,067	
· one year later		16,475	18,895	18,051	16,769	18,302		
· two years later		14,290	18,680	17,671	15,288			
· three years later		12,859	18,870	15,548				
· four years later		13,944	18,879					
· five years later		14,667						
Cumulative payments to date	-	13,627	- 14,594	- 9,370	- 8,448	- 3,249	- 1,345	
Estimate of claims reserve		1,040	4,195	6,178	6,840	15,054	15,722	
Effect of discounting	-	68	- 283	- 432	- 531	- 1,166	- 1,408	
Best estimate of claims liability	3,240	972	3,912	5,746	6,309	13,888	14,314	48,381
Risk margin								18,538
Provision for claims handling								5,622
Total gross outstanding claims included in the Statement of Financial Position								72,541
Movement in accident year estimate before discounting and margins	- 631	723	- 81	- 2,123	- 1,481	559	17,067	14,033
Movement in excess receivable								- 15
Gross claims incurred								14,018
Net								
Estimate of ultimate claims								
Costs:								
· at end of reporting year		18,161	19,834	17,303	16,316	17,649	16,933	
· one year later		16,454	18,852	17,991	16,707	17,788		
· two years later		14,271	18,645	17,623	15,329			
· three years later		12,850	18,855	15,529				
· four years later		13,938	18,779					
· five years later		14,663						
Cumulative payments to date	-	13,627	- 14,594	- 9,370	- 8,448	- 3,249	- 1,345	
Estimate of claims reserve		1,037	4,185	6,159	6,791	14,539	15,588	
Effect of discounting	-	68	- 283	- 431	- 528	- 1,126	- 1,396	
Best estimate of claims liability	3,242	969	3,902	5,728	6,263	13,413	14,192	47,709
Risk margin								18,538
Provision for claims handling								5,622
Total net outstanding claims included in the Statement of Financial Position								71,869
Movement in accident year estimate before discounting and margins	- 576	725	- 77	- 2,094	- 1,468	139	16,933	13,582
Movement in excess receivable								- 15
Net claims incurred								13,567

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.

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

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

(a) Currency risk (continued)

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

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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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

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.

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 \$65,111 (2020-21: \$204,611) which are more than one month past due. There is a provision of \$65,111 (2020-21: \$98,611) on these outstanding balances.

There were no reinsurance recoveries (2020-21: \$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
<u>At 30 June 2022</u>			
Cash and cash equivalents	69,349	1	69,350
Reinsurers' share of outstanding claims reserves	673	-	673
Trade and other receivables	-	1,437	1,437
Financial assets at fair value through profit or loss	-	185,460	185,460
Total	70,022	186,898	256,920
<u>At 30 June 2021</u>			
Cash and cash equivalents	66,859	1	66,860
Reinsurers' share of outstanding claims reserves	274	-	274
Trade and other receivables	-	1,196	1,196
Financial assets at fair value through profit or loss	-	195,638	195,638
Total	67,133	196,835	263,968

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%.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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.

	2022	2021
	\$'000	\$'000
Stress Test		Upward impact
Interest rate	(1,687)	(619)
Inflation	(3,536)	(3,291)
Currency	(4,067)	(4,455)
		Downward impact
Interest rate	1,429	478
Inflation	3,050	2,888
Currency	(32)	(70)
Stress Test		Impact
Equity	(12,314)	(28,554)
Property	(1,305)	(2,522)
Credit spread	(7,274)	(7,593)

D3 COMMITMENTS

D3-1 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted for 30 June 2022 but not provided for (2020-21: Nil).

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

D4 CONTINGENT LIABILITIES AND EVENTS AFTER BALANCE DATE

Lexon has a bank guarantee for \$108,031 (2020-21: \$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.

During the 2021-22 financial year, QLS incurred costs related to the refurbishment of 179 Ann Street. The costs incurred to date in relation to this project have been expensed in the 2021-22 financial statements.

On 25 August 2022 refurbishment costs of up to \$14,095,000 to Law Society House was approved with the project expected to be completed during the year ending 30 June 2023. Subsequent costs from this date will be reviewed and individually analysed to determine which costs are capitalised and which are expensed.

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 2023.

It is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. AASB 17 requires a general model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustments; and
- a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The general model is supplemented by:

- a simplified approach (the premium allocation approach) mainly for short duration contracts; and
- a modification of the general measurement model (the variable fee approach) for contracts with direct participation features.

AASB 17 is effective for annual periods beginning on or after 1 January 2023, with comparative figures required. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. The Group plans to adopt AASB 17 on the required effective date and it is expected that AASB 17 will result in a change to the accounting policies for the insurance contract liabilities of the Group. Upon assessment and initial review, AASB 17 is likely to have an immaterial impact on profit and total equity together with the Group's financial statements' presentation and disclosures.

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 2021-22 and 2020-21. 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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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	Elizabeth Shearer	1/07/2021	31/12/2021
Vice President	Kara Thomson	1/07/2021	31/12/2021
President	Kara Thomson	1/01/2022	30/06/2022
Deputy President	Michael Brennan	1/01/2022	7/06/2022
Vice President	Chloe Kopilovic	1/01/2022	7/06/2022
Deputy President	Chloe Kopilovic	7/06/2022	30/06/2022
Vice President	Rebecca Fogerty	22/06/2022	30/06/2022
Chief Executive Officer	Rolf Moses	1/07/2021	30/06/2022

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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

E1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

KMP Remuneration Policy (continued)

KMP remuneration

1 July 2021 – 30 June 2022

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post Employment Benefits	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
President						
1 July 2021 - 31 December 2021	131	2	-	12	-	145
President						
1 January 2022 - 30 June 2022	131	3	-	12	-	146
Vice President						
1 July 2021 - 31 December 2021	43	2	-	4	-	49
Vice President						
1 January 2022 - 7 June 2022	43	2	-	4	-	49
Deputy President						
8 June 2022 - 30 June 2022	5	-	-	1	-	6
CEO						
1 July 2021 - 30 June 2022	359	5	6	23	-	393

1 July 2020 – 30 June 2021

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post Employment Benefits	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
President						
1 January 2021 - 30 June 2021	131	3	-	11	-	145
President						
1 July 2020 - 31 December 2020	131	3	-	11	-	145
Vice President						
1 January 2021 - 30 June 2021	43	3	-	4	-	50
Deputy President						
1 July 2020 - 31 December 2020	43	3	-	4	-	50
CEO						
1 July 2020 - 30 June 2021	349	6	5	22	-	382

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 \$30,000 expensed in 2021-22 (2020-21: \$30,000) for bonus paid to the Chief Executive Officer.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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.

	2022	2021
	\$	\$
Management fees and recovery expenditure paid to the parent entity by:		
Lexon Insurance Pte Ltd	508,118	493,669
Law Claims Levy Fund	44,534	49,178
Legal Practitioners' Fidelity Guarantee Fund	156,125	160,176
Legal Practitioners Admissions Board	68,803	55,531
QLS Solicitors Support	851,864	768,194
Grant funding paid by parent entity to QLS Solicitors Support	1,488,188	1,408,022
Grant funding paid to the parent entity by:		
Law Claims Levy Fund	992,873	994,430
Legal Practitioners' Fidelity Guarantee Fund	686,595	-
Insurance premiums paid by parent for Law Claims Levy Fund	463,027	415,701
Gross premium paid by Law Claims Levy Fund to Lexon	23,684,912	24,812,902
Management fees paid to a firm which a director of Lexon is a member:		
AON Insurance Managers (Singapore) Pte Ltd	106,090	103,000
Key management personnel compensation for Lexon:		
Directors' fees*	457,938	441,840
Other officers:		
Salaried and other short term employee benefits	1,413,345	1,181,990
Employer's contribution to defined contribution plans	94,141	86,364

* Includes \$38,750 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

Changes in accounting policy

The Group did not voluntarily change any of its accounting policies during 2021-22.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2021-22.

Accounting standards applied for the first time

No Australian Standards have been applied for the first time during 2021-22.

Following the issuance of IFRIC's agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in April 2021, the Group has changed its accounting policy for certain cloud computing and software-as-a-service (SaaS) costs. The effects of this change is detailed below.

Configuration or Customisation Costs in a Cloud Computing Arrangement

1. Summary of change in accounting policy

The Group changed its accounting policies in 2021-22 after completing a full analysis of the Group's previously capitalised software in response to the IFRIC agenda decision released in March 2021.

The Group's new accounting policy now considers where the software code resides, whether it is identifiable and whether the group has the power to both obtain economic benefits from the software and restrict the access of others to those benefits. Configuration or customisation costs that do not qualify for recognition as an intangible asset are further assessed as to the appropriate timing of expense recognition, using the following criteria:

- a) Where the configuration or customisation is considered a distinct (i.e. separately identifiable) service from the subsequent access to the cloud software, the costs are expensed when the configuration or customisation services are received. This is typically the case when the vendor providing the services is different from the vendor providing access to the software.
- b) Where the configuration or customisation is not a distinct service from the group's right to access the software, the costs are expensed over the period of access on a straight-line basis. A prepayment asset is recognised when the payment is made up front. This is usually the case when the same vendor is providing both the configuration or customisation services and the access to the cloud software.

Any software that qualifies as an intangible asset is recognised and accounted for in accordance with the group's existing accounting policies on software assets in Note C5, which have not changed.

2. Impact of changes

There has been no impact to the Group as a result of the change in accounting policy as applicable intangible assets have been correctly disclosed in Note C5 for prior financial periods.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

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.

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.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

F1 TAXATION (continued)

F1-1 INCOME TAX EXPENSE

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Tax expense attributable to profit is made up of:				
Current income tax	2,520	115	-	-
Deferred income tax (Note F1-3)	(2,295)	4,478	-	-
	225	4,593	-	-
(Over)/under provision in preceding financial years	-	-	-	-
Current income tax	-	-	-	-
Total income tax (credit)/expense	225	4,593	-	-

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Operating surplus before income tax	(678)	18,931	-	-
Tax calculated at a tax rate of 30% (2020: 30%)	(203)	5,679	-	-
Effects of:				
Income not subject to tax	708	(914)	-	-
Franking and other credits available	(280)	(172)	-	-
	225	4,593	-	-

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2022

F1 TAXATION (continued)

F1-2 INCOME TAX RECEIVABLE

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Income tax at the beginning of the financial year	115	(291)	-	-
Income tax refunded/(paid)	(158)	291	-	-
Current year income tax	2,520	115	-	-
Income tax receivable at the end of the financial year	2,477	115	-	-

F1-3 DEFERRED INCOME TAX BALANCES

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

	Consolidated		Parent	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets				
Balance at the beginning of the financial year	1,834	6,313	-	-
Charge to profit or loss:				
- Actuarial provisions	(706)	(491)	-	-
- Investment income	2,970	(1,668)	-	-
- Income losses	-	(2,292)	-	-
- Other	31	(28)	-	-
Net deferred tax asset at end of the financial year	4,129	1,834	-	-

Queensland Law Society Incorporated

Management Certificate for the year ended 30 June 2022

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 2022 and of the financial position of the Group as at the end of that year.

We acknowledge responsibility under section 7 and section 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
Kara Thomson

25 August 2022



Chief Executive Officer
Queensland Law Society
Rolf Moses

25 August 2022

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 2022, and its 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 2022, 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 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 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 *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 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. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal control, but allows me to express an opinion on compliance with prescribed requirements.
- 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 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.
- 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.

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2022:

- 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.



Lisa Fraser
as delegate of the Auditor-General

31 August 2022

Queensland Audit Office
Brisbane

LAW CLAIMS LEVY FUND

Financial Report

For the year ended 30 June 2022

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Law Claims Levy Fund

Statement of Comprehensive Income for the year ended 30 June 2022

		2022	2021
	Notes	\$'000	\$'000
Revenue			
Insurance levies	B1-1	26,375	20,490
Total levies		26,375	20,490
Other income			
Interest income		1	4
Investment income		4,005	895
Realised gains/(losses) on investments		686	-
Fair value gains/(losses) on investments		(6,938)	5,799
Other income		-	13
Total other income	B1-2	(2,246)	6,711
Total revenue		24,129	27,201
Expenses			
Administration expenses	B2-1	1,290	1,308
Audit fees	B2-2	21	20
Insurance premiums	B2-3	24,151	25,237
Stamp duty		2,133	2,225
Total expenses		27,595	28,790
Operating result for the year		(3,466)	(1,589)
Other comprehensive income		-	-
Total comprehensive income for the year		(3,466)	(1,589)

The accompanying notes form part of these statements.

Law Claims Levy Fund

Statement of Financial Position as at 30 June 2022

		2022	2021
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents	C1	1,518	21,738
Receivables	C2	26,500	3,808
Total current assets		28,018	25,546
Non-current assets			
Investments	C3	53,438	57,684
Total non-current assets		53,438	57,684
Total assets		81,456	83,230
Current liabilities			
Income in advance	C4	27,370	25,139
Payables	C5	40	579
Total current liabilities		27,410	25,718
Total liabilities		27,410	25,718
Net assets		54,046	57,512
Equity			
Accumulated surplus		54,046	57,512
Total equity		54,046	57,512

The accompanying notes form part of these statements.

Law Claims Levy Fund

Statement of Changes in Equity for the year ended 30 June 2022

	2022 \$'000	2021 \$'000
Accumulated surplus		
Balance at 1 July	57,512	59,100
Total comprehensive income for the year	(3,466)	(1,588)
Balance at 30 June	54,046	57,512

The accompanying notes form part of these statements.

Law Claims Levy Fund

Statement of Cash Flows for the year ended 30 June 2022

		2022 \$'000	2021 \$'000
	Notes	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from the profession and reinsurers		5,916	27,625
Payments to suppliers		(28,137)	(27,798)
Interest received		1	4
Net cash (used in)/generated from operating activities	C1	(22,220)	(170)
Cash flows from investing activities			
Proceeds from investments		2,000	6,000
Net cash generated from investing activities		2,000	6,000
Net increase/(decrease) in cash and cash equivalents held		(20,220)	5,830
Cash and cash equivalents at the beginning of the financial year		21,738	15,908
Cash and cash equivalents at the end of the financial year	C1	1,518	21,738

The accompanying notes form part of these statements.

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2022

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.

The principal place of business of the Fund is 179 Ann Street, Brisbane, QLD 4000.

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 2021.

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 2020-21 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'.

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2022

A1-4 BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except for investments which are measured at fair 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 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.

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2022

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 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 \$0 was received in 2021-22 as a distribution from the Liquidation Scheme of HIH (\$0k) and FAI (\$0k) (2021: \$13k).

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2022

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.

	2022 \$'000	2021 \$'000
Management fees paid to the Society	45	42
Projects relating to risk management in the profession - grant to the Society	992	1,006
	1,037	1,048
Investment managers' fees	229	224
Sundry expenses	24	35
Total administration expenses	1,290	1,308

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 2021-22 are \$21,300 (2021: \$20,300). 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 the 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:

	2022 \$'000	2021 \$'000
Current assets:		
Cash at bank	12	21
Short term deposits	1,506	21,717
Total cash and cash equivalents	1,518	21,738

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2022

C1 CASH AND CASH EQUIVALENTS (continued)

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

	2022 \$'000	2021 \$'000
Operating result for the year	(3,466)	(1,588)
<i>Adjustments for:</i>		
Net investment income	2,932	(6,694)
(Gain)/loss on disposal of investments	(686)	-
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in receivables	(22,692)	1,429
Increase/(decrease) in payables	(539)	536
Increase/(decrease) in income in advance	2,231	6,147
Net cash (used in)/generated from operating activities	(22,220)	(170)

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.

	2022 \$'000	2021 \$'000
Other receivables	43	60
Levies receivable from the Society	26,455	3,742
GST receivable	2	6
Total receivables	26,500	3,808

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.

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.

	2022 \$'000	2021 \$'000
Investment in collective investment schemes	53,438	57,684

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2022

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 2022 to 30 June 2023.

	2022	2021
	\$'000	\$'000
Levies received in advance for next financial year	27,370	25,139

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.

	2022	2021
	\$'000	\$'000
Amounts payable to the Society	1	540
Other payables and accruals	39	39
Total payables	40	579

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.

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2022

D2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 as per the investment policy.

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.

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2022

D2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis – continued

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).

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.

	2022	2021
	\$'000	\$'000
Stress Test	Upward impact	
Interest rate	(469)	(182)
Inflation	(973)	(959)
Currency	(1,161)	(1,331)
	Downward impact	
Interest rate	397	140
Inflation	840	841
Currency	(7)	(15)
Stress Test	Impact	
Equity	8,195	(8,565)
Property	868	(756)
Credit spread	(1,877)	(2,028)

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2022

D2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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 2022, 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 2022 (Finity – August 2022), the insurance in place with regard to the limits per file, and the overall Fund's aggregate limit as at 30 June 2022, 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.

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2022

E1 RELATED PARTY TRANSACTIONS

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

	2022 \$'000	2021 \$'000
Management fees paid to Queensland Law Society	45	42
Grants paid to Queensland Law Society	992	1,006
Total related party transactions	1,037	1,048

E2 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

Changes in accounting policy

The Fund did not voluntarily change any of its accounting policies during 2021-22.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2021-22.

Accounting standards applied for the first time

No Australian accounting standards or interpretations that apply for the first time during 2021-22 had any impact on the Fund.

E3 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.

Law Claims Levy Fund

Management Certificate for the year ended 30 June 2022

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 2022 and of the financial position of the Fund as at the end of that year.

We acknowledge responsibility under section 7 and section 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
Kara Thomson

25 August 2022



Chief Executive Officer
Queensland Law Society
Rolf Moses

25 August 2022

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 2022, and its financial performance and cash flows for the year then ended
- b) complies with Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2022, 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.

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.



Lisa Fraser
as delegate of the Auditor-General

30 August 2022

Queensland Audit Office
Brisbane

QLS SOLICITOR SUPPORT PTY LTD

Financial Report
For the year ended 30 June 2022

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QLS Solicitor Support Pty Ltd

Directors' Report for the year ended 30 June 2022

The directors present their report, together with the financial statements, on QLS Solicitor Support Pty Ltd (QSS) for the year ended 30 June 2022.

Directors

Position	Person	Start of Term	End of Term
Chairperson & Director	Mr Stafford Shepherd	10/09/2019	Current
Director	Mr Matthew Dunn	10/09/2019	Current
Director	Ms Leanne Perry	10/09/2019	16/07/2021
Director	Ms Grace van Baarle	17/06/2021	Current
Director	Mr Peter Gamin	26/08/2021	Current

Principal activities

QSS provides full members of the Queensland Law Society (QLS) with practice and ethical guidance, support and counsel. QSS does not give guidance or counsel on issues relating to entitlement to practice, practising certificates or the conditions which may be imposed on practising certificates.

QSS provides guidance on:

- *Australian Solicitors Conduct Rules 2012* (Qld)
- practice management
- practice and ethics issues
- client identification and verification
- client relationships and solicitor/solicitor relationships
- cybersecurity issues.

Dividends

No dividends were paid during the financial year.

Review of Operations

The profit for QSS after providing for income tax amounted to \$0 (30 June 2021: \$0).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of QSS during the financial year.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2022 that has significantly affected, or may significantly affect QSS' operations, results or the state of affairs in future financial years.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

There were no unissued ordinary shares of QSS under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of QSS issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of QSS for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Chairperson & Director
Stafford Shepherd

25 August 2022

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of QLS Solicitor Support Pty Ltd

This auditor's independence declaration has been provided pursuant to s. 307C of the *Corporations Act 2001*.

Independence declaration

As lead auditor for the audit of QLS Solicitor Support Pty Ltd for the financial year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



Lisa Fraser
as delegate of the Auditor-General

30 August 2022

Queensland Audit Office
Brisbane

QLS Solicitor Support Pty Ltd

Statement of Comprehensive Income for the year ended 30 June 2022

		2022	2021
	Note	\$	\$
Revenue			
Grant Funding	B1	1,488,188	1,431,728
Total revenue		1,488,188	1,431,728
Expenses			
Administration expenses	B2-1	36,039	52,253
Employee expenses	B2-2	600,285	611,281
Management Fees	B2-3	851,864	768,194
Total expenses		1,488,188	1,431,728
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 2022

		2022	2021
	NOTES	\$	\$
Current assets			
Cash and cash equivalents	C1	5,630	2,014
Prepayments and other receivables	C3	25,497	27,023
Total current assets		31,127	29,037
Total assets		31,127	29,037
Current liabilities			
Payables	C4	31,007	28,917
Total current liabilities		31,007	28,917
Total liabilities		31,007	28,917
Net assets		120	120
Equity			
Share capital		120	120
Accumulated surplus		-	-
Total equity		120	120

The accompanying notes form part of these statements.

QLS Solicitor Support Pty Ltd

Statement of Changes in Equity for the year ended 30 June 2022

	2022	2021
	\$	\$
Share Capital		
Balance at 1 July	120	120
Share capital issued	-	-
Balance at 30 June	120	120
Accumulated Surplus		
Balance at 1 July	-	-
Total comprehensive income for the year	-	-
Balance at 30 June	-	-

The accompanying notes form part of these statements.

QLS Solicitor Support Pty Ltd

Statement of Cash Flows for the year ended 30 June 2022

		2022	2021
	NOTES	\$ Inflows/ (Outflows)	\$ Inflows/ (Outflows)
Cash flows from operating activities			
Grant funding		1,491,394	1,431,538
Administration, employee expenses and other payments		(1,487,778)	(1,429,573)
Net cash generated from/(used by) operating activities	C1	3,616	1,965
Net increase in cash and cash equivalents held		3,616	1,965
Cash and cash equivalents at the beginning of the financial year		2,014	49
Cash and cash equivalents at the end of the financial year	C1	5,630	2,014

The accompanying notes form part of these statements.

QLS Solicitor Support Pty Ltd

Notes to the Financial Statements for the year ended 30 June 2022

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 provides full members of QLS with practice and ethical guidance, support and counsel.

The principal place of business of QSS is 179 Ann Street, Brisbane QLD 4000.

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 BASIS OF PREPARATION

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards – Simplified Disclosures. The financial statements comply with the recognition and measurement requirements of all Australian Accounting Standards and Interpretations applicable to not-for-profit entities, and the presentation requirements in those standards as modified by AASB 1060.

A1-3 PRESENTATION

Currency and rounding

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

Comparatives

Comparative information reflects the audited 2020-21 financial statements.

Current/non-current classification

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

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 for profit private entities.

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 at the date of signing the Directors' Declaration.

QLS Solicitor Support Pty Ltd

Notes to the Financial Statements for the year ended 30 June 2022

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.

	2022	2021
	\$	\$
Grant funding		
Grant funding	1,488,188	1,431,728
Total revenue	1,488,188	1,431,728

B2 EXPENSES

B2-1 ADMINISTRATION EXPENSES

	2022	2021
	\$	\$
Insurance	21,652	21,551
Professional and consulting fees	1,691	3,925
Travel and accommodation	5,589	19,988
Audit fees paid to Auditor-General for auditing services only	5,500	5,160
Other administration expenses	1,607	1,629
Total administration expenses	36,039	52,253

B2-2 EMPLOYEE EXPENSES

	2022	2021
	\$	\$
Wages and salaries	521,128	516,267
Employer superannuation contributions	51,096	49,005
Movement in annual and long service leave provision	(1,047)	12,823
Payroll tax	27,546	30,845
Workers compensation premiums	1,562	2,341
Total employee expenses	600,285	611,281

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.

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**

	2022	2021
	\$	\$
Management fees	851,864	768,194
Total management fees paid to the Queensland Law Society	851,864	768,194

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.

	2022	2021
	\$	\$
Cash on hand	5,630	2,014
Total cash and cash equivalents	5,630	2,014

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.

QLS Solicitor Support Pty Ltd

Notes to the Financial Statements for the year ended 30 June 2022

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.

	2022	2021
	\$	\$
Prepayments and other receivables	25,497	27,023
Total receivables	25,497	27,023

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.

	2022	2021
	\$	\$
Funds received in advance and other payables	31,007	28,917
Total payables	31,007	28,917

D1 CONTINGENT LIABILITIES AND EVENTS AFTER BALANCE DATE

There were no known contingent liabilities at 30 June 2022 (2021: Nil). There are no events subsequent to reporting date requiring disclosure in the financial report.

QLS Solicitor Support Pty Ltd

Notes to the Financial Statements for the year ended 30 June 2022

E1 KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel and remuneration disclosures are made in accordance with the *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

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 2021-22. 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 <i>Corporations Act 2001</i> (Cth) and as an Incorporated Legal Practice (ILP) director under the <i>Legal Professional Act 2007</i> (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 <i>Corporations Act 2001</i> (Cth).

Position	Person	Start of Term	End of Term
Chairperson & Director	Mr Stafford Shepherd	10/09/2019	Current
Director	Mr Matthew Dunn	10/09/2019	Current
Director	Ms Leanne Perry	10/09/2019	16/07/2021
Director	Ms Grace van Baarle	17/06/2021	Current
Director	Mr Peter Gamin	26/08/2021	Current

KMP Remuneration Policy

The board of directors of QSS is constituted by four (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.

	2022 \$	2021 \$
Grant funding paid by parent entity to QSS	1,488,188	1,431,728
Management fees paid to Queensland Law Society	851,864	768,194

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.

E4 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

Changes in accounting policy

QSS did not voluntarily change any of its accounting policies during 2021-22.

Accounting standards early adopted

The company early adopted AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Entities* from 1 July 2020.

Accounting standards applied for the first time

No Australian accounting standards or interpretations that apply for the first time during 2021-22 had any impact on QSS.

QLS Solicitor Support Pty Ltd

Directors' Declaration for the year ended 30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Australian Accounting Standards – Simplified Disclosures, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in blue ink, appearing to read 'Stafford Shepherd', with a long horizontal stroke extending to the right.

Chairperson & Director
Stafford Shepherd

25 August 2022

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 2022, and its financial performance and cash flows for the year then ended
- b) complies with Australian Accounting Standards – Simplified Disclosures.

The financial report comprises the statement of financial position as at 30 June 2022, 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 directors' declaration.

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 am also independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001*, and have given the directors of the company the independence declaration required by s. 307C of the *Corporations Act 2001* at the time of this auditor's report.

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

Other information

Other information comprises the information included in the directors' report for the year ended 30 June 2022, but does not include the financial report and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the entity 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 the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards – Simplified Disclosures, 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.

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 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.



Lisa Fraser
as delegate of the Auditor-General

30 August 2022

Queensland Audit Office
Brisbane

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Financial Report
For the year ended 30 June 2022

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Legal Practitioners' Fidelity Guarantee Fund

Statement of Comprehensive Income for the year ended 30 June 2022

		2022	2021
	Notes	\$'000	\$'000
Revenue			
Practitioner levies	B1-1	347	636
Investment income	B1-2	1,090	1,438
Realised gains/(losses) on investments	B1-3	(2,387)	991
Fair value gains/(losses) on investments	B1-3	(169)	489
Total revenue		(1,119)	3,554
Expenses			
Administration expenses	B2-1	330	367
Notified claims (net of reversals)	C6	3,388	7,944
Investment fees		52	57
Management fees paid to the Queensland Law Society	B2-2	843	160
Total expenses		4,613	8,528
Operating result for the year		(5,732)	(4,974)
Other comprehensive income		-	-
Total comprehensive income for the year		(5,732)	(4,974)

The accompanying notes form part of these statements.

Legal Practitioners' Fidelity Guarantee Fund

Statement of Financial Position as at 30 June 2022

		2022	2021
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents	C1	1,109	5,387
Receivables	C2	378	64
Investments	C3	21,831	25,817
Total current assets		23,318	31,268
Total assets		23,318	31,268
Current liabilities			
Payables	C4	43	113
Income in advance	C5	426	305
Provision for notified claims	C6	3,777	6,046
Total current liabilities		4,246	6,464
Total liabilities		4,246	6,464
Net assets		19,072	24,804
Equity			
Accumulated surplus		19,072	24,804
Total equity		19,072	24,804

The accompanying notes form part of these statements.

Legal Practitioners' Fidelity Guarantee Fund

Statement of Changes in Equity for the year ended 30 June 2022

	2022	2021
	\$'000	\$'000
Accumulated surplus		
Balance at 1 July	24,804	29,778
Total comprehensive income for the year	(5,732)	(4,974)
Balance at 30 June	19,072	24,804

The accompanying notes form part of these statements.

Legal Practitioners' Fidelity Guarantee Fund
Statement of Cash Flows for the year ended 30 June 2022

		2022	2021
		\$'000	\$'000
	Notes	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Contributions by practitioners and cost recoveries		151	653
Claim payments and administration expenses		(6,951)	(2,700)
Interest received		10	5
Net cash used in operating activities	C1	(6,790)	(2,042)
Cash flows from investing activities			
Proceeds from investments		2,512	7,054
Net cash generated from investing activities		2,512	7,054
Net increase/(decrease) in cash and cash equivalents held		(4,278)	5,012
Cash and cash equivalents at the beginning of the financial year		5,387	375
Cash and cash equivalents at the end of the financial year	C1	1,109	5,387

The accompanying notes form part of these statements.

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2022

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).

The principal place of the Fund is 179 Ann Street, Brisbane, QLD 4000.

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 2021.

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 2020-21 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.

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2022

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.

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.

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2022

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.

	2022	2021
	\$'000	\$'000
Practitioner levies	339	320
Claim payment recoveries	8	316
Total practitioner levies	347	636

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.

	2022	2021
	\$'000	\$'000
Distributions from investments	1,082	1,431
Interest income	8	7
Total investment income	1,090	1,438

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.

	2022	2021
	\$'000	\$'000
Realised gains/(losses)	(2,387)	991
Unrealised gains/(losses)	(169)	489
Total gains/(losses) on investments	(2,556)	1,480

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2022

B2 EXPENSES

B2-1 ADMINISTRATION EXPENSES

	2022	2021
	\$'000	\$'000
Employee expenses	146	138
Audit fees	11	11
Legal fees	150	216
Sundry expenses	23	2
Total administration expenses	330	367

Total audit fees paid and payable to the Queensland Audit Office to perform the audit of the Fund's financial statements for 2021-22 are \$11,300 (2021: \$10,800). There are no non-audit services included in this amount.

B2-2 MANAGEMENT FEES PAID TO QUEENSLAND LAW SOCIETY INCORPORATED

	2022	2021
	\$'000	\$'000
Management fees paid to the Society	156	160
Grant payments to the Society	687	-
Total management fees paid to the Queensland Law Society	843	160

The Fund pays management fees to the Queensland Law Society Incorporated for services and resources used in the management and operating of the Fund's 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 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.

	2022	2021
	\$'000	\$'000
Cash assets	476	10
Cash deposit account	633	5,377
Total cash and cash equivalents	1,109	5,387

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2022

C1 CASH AND CASH EQUIVALENTS (Continued)

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

	2022	2021
	\$'000	\$'000
Operating result for the year	(5,732)	(4,974)
<i>Adjustments for:</i>		
Net investment income	(913)	(1,919)
(Gain)/loss on disposal of investments	2,387	(991)
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in receivables	(314)	(5)
Increase/(decrease) in payables	190	69
Increase/(decrease) in income in advance	121	18
increase/(decrease) in provision for notified claims	(2,529)	5,760
Net cash (used in) operating activities	(6,790)	(2,042)

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.

	2022	2021
	\$'000	\$'000
Interest receivable	-	2
Practitioner levies receivable from the Society	378	62
Total receivables	378	64

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2022

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.

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

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.

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

	2022	2021
	\$'000	\$'000
Investment in managed funds	21,831	25,817
Total investment in managed funds	21,831	25,817

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.

	2022	2021
	\$'000	\$'000
Payable to the Society for annual leave entitlements	8	6
Payable to the Society for long service leave entitlements	7	5
Other payables and accruals	28	102
Total payables	43	113

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2022

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 2022 paid to the Fund by the Society for the financial year 1 July 2022 to 30 June 2023.

	2022	2021
	\$'000	\$'000
Fidelity Guarantee Fund levies for upcoming year	426	305
Total income in advance	426	305

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. Refer to note D1.

	2022	2021
	\$'000	\$'000
Opening notified claims	6,046	286
Add notified claims (net of reversals)	3,388	7,944
Less payment of notified claims	(5,657)	(2,184)
Total provision for notified claims	3,777	6,046

Amendments to legislation saw the Fund required to bring into account the difference between the notified claim allowed amounts and the capped amount & interest thereon resulting in an increase to the provision for 2020-21.

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.

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2022

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 transactions 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.

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:

	2022	2021
	\$'000	\$'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%	3	3
Decrease in interest rate by 1%	(2)	(3)

	2022	2021
	\$'000	\$'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%	1,123	1,291
Decrease in managed funds unit price by 5%	(1,123)	(1,291)

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2022

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

There are no events subsequent to reporting date requiring disclosure in the financial report. The three claim assessments disclosed as contingent liabilities in financial year 2020-21 have been withdrawn or closed during financial year 2021-22. Due to the balanced nature of the investment portfolio, the COVID pandemic has had minimal long term impact on the Fund.

E1 RELATED PARTY TRANSACTIONS

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

	2022	2021
	\$'000	\$'000
Management fees paid to Queensland Law Society	156	160
Grants paid to Queensland Law Society	687	-
Total related party transactions	843	160

E2 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

Changes in accounting policy

The Fund did not voluntarily change any of its accounting policies during 2021-22.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2021-22.

Accounting standards applied for the first time

No Australian accounting standards or interpretations that apply for the first time during 2021-22 had any impact on the Fund.

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2022

E3 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 2022

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 2022 and of the financial position of the Fund as at the end of that year.

We acknowledge responsibility under section 7 and section 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
Kara Thomson

25 August 2022



Chief Executive Officer
Queensland Law Society
Rolf Moses

25 August 2022

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 2022, and its financial performance and cash flows for the year then ended
- b) complies with Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2022, 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 determine 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.

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.



Lisa Fraser
as delegate of the Auditor-General

31 August 2022

Queensland Audit Office
Brisbane