

QUEENSLAND LAW SOCIETY INCORPORATED

Consolidated Financial Report
For the year ended 30 June 2021

Table of contents

Financial Statements	Statement of Comprehensive Income	Page 89
	Statement of Financial Position	Page 90
	Statement of Changes in Equity	Page 91
	Statement of Cash Flows	Page 92
Notes to the Financial Statements	A1 Basis of Financial Statement Preparation	Page 93
	A1-1 General Information	Page 93
	A1-2 Compliance with Prescribed Requirements	Page 93
	A1-3 Presentation	Page 93
	A1-4 Authorisation of Financial Statements for Issue	Page 93
	A1-5 Basis of Measurement	Page 94
	A1-6 The Reporting Entity	Page 95
	A2 The Society's Objectives	Page 95
	A3 Controlled Entities	Page 96
	B1 Revenue	Page 97
	B1-1 Fees and Membership Services	Page 97
	B1-2 Rent and Administration Revenue	Page 98
	B1-3 Grants and Funding	Page 98
	B1-4 Insurance Levies	Page 99
	B1-5 Investment Income	Page 99
	B2 Expenses	Page 100
	B2-1 Membership Services and Events	Page 100
	B2-2 Administration Expenses	Page 101
	B2-3 Employee Expenses	Page 102
	C1 Cash and Cash Equivalents	Page 103
	C2 Receivables	Page 104
	C3 Investment in Controlled Entities	Page 104
	C4 Investments	Page 105
	C5 Property, Plant and Equipment	Page 106
	C5-1 Consolidated	Page 106
	C5-2 Parent Entity	Page 107
	C5-3 Acquisition of Assets	Page 108
	C5-4 Depreciation and Amortisation	Page 108
	C5-5 Impairment of Plant and Equipment	Page 108
	C5-6 Measurement Using Fair Value	Page 108
	C5-7 Recent Updates	Page 109
	C6 Payables	Page 110
	C7 Accrued Employee Benefits	Page 111

Table of Contents (continued)

Notes to the Financial Statements	C8	Provisions	Page 111
		C8-1 Insurance Contracts	Page 111
		C8-2 Insurance Liabilities	Page 112
	C9	Leases	Page 119
		C9-1 Leases as Lessee	Page 119
		C9-2 Leases as Lessor	Page 119
	D1	Critical Accounting Estimates and Judgements	Page 121
	D2	Management of Insurance and Financial Risk	Page 123
		D2-1 Insurance Risk	Page 123
		D2-2 Reinsurance Risk	Page 126
		D2-3 Concentration of Risk	Page 126
		D2-4 Financial Instruments and Financial Risk Management	Page 126
	D3	Commitments	Page 130
		D3-1 Capital Expenditure	Page 130
	D4	Contingent Liabilities and Events after Balance Date	Page 131
	D5	Future Impact of Accounting Standards Not Yet Effective	Page 131
	E1	Key Management Personnel Disclosures	Page 131
	E2	Related Party Transactions	Page 135
	E3	First Year Application of New Accounting Standards or Change in Accounting Policy	Page 136
	F1	Taxation	Page 136
		F1-1 Income Tax Expense	Page 137
		F1-2 Income Tax Receivable	Page 138
		F1-3 Deferred Income Tax Balances	Page 138
Certification	Management Certificate		Page 139
	Independent Auditor's Report		Page 140

Queensland Law Society Incorporated
Statement of Comprehensive Income for the year ended 30 June 2021

		Consolidated		Parent Entity	
		2021	2020	2021	2020
		Actual	Actual	Actual	Actual
NOTE		\$'000	\$'000	\$'000	\$'000
Revenue					
Fees and membership services	B1-1	12,603	17,278	12,619	17,297
Rent and administration revenue	B1-2	454	481	1,002	1,016
Grants and funding	B1-3	33	123	1,028	851
Insurance levies	B1-4	20,490	24,425	-	-
Investment income	B1-5	11,426	4,468	226	522
Realised gains/(losses) on investments	C4	13	-	-	-
Fair value gains/(losses) on investments	C4	10,991	(4,835)	-	-
Other income		466	316	486	282
Total revenue		56,476	42,256	15,361	19,968
Expenses					
Membership services and events	B2-1	1,167	2,711	1,167	2,682
Administration expenses	B2-2	7,151	7,510	4,870	4,859
Employee expenses	B2-3	14,652	14,569	10,727	10,541
Depreciation and amortisation	C5	1,449	1,478	1,226	1,253
Insurance claims	B1-4	17,893	19,477	-	-
Unearned premium reserves	C8-2(b)	(8,902)	4,593	-	-
Reinsurance costs	B1-4	1,766	1,422	-	-
Stamp duty	B1-4	2,225	1,922	-	-
Brokerage fees		144	130	-	-
Total expenses		37,545	53,812	17,990	19,335
Operating (deficit)/surplus before income tax					
		18,931	(11,556)	(2,629)	633
Income tax (expense) / credit	F1-1	(4,593)	1,314	-	-
Operating (deficit)/surplus after income tax		14,338	(10,242)	(2,629)	633
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	79	1,870	79
Total comprehensive income		16,208	(10,163)	(759)	712

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Statement of Financial Position as at 30 June 2021

	NOTE	Consolidated		Parent Entity	
		2021	2020	2021	2020
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents	C1	66,860	59,773	35,996	34,742
Receivables	C2	1,196	1,550	1,216	666
Income tax receivable	F1-2	-	291	-	-
Reinsurers' share of unearned premiums	C8-2(b)	1,933	1,674	-	-
Insurance contract liabilities ceded	C8-2(a)	82	250	-	-
Total current assets		70,071	63,538	37,212	35,408
Non-current assets					
Investment in controlled entities	C3	-	-	19,000	19,000
Investments	C4	195,638	179,478	-	-
Property, plant and equipment	C5	32,660	29,632	31,768	29,330
Deferred tax assets	F1-3	1,834	6,313	-	-
Insurance contract liabilities ceded	C8-2(a)	192	451	-	-
Total non-current assets		230,324	215,874	50,768	48,330
TOTAL ASSETS		300,395	279,412	87,980	83,738
Current liabilities					
Payables	C6	46,681	32,587	20,911	15,886
Accrued employee benefits	C7	1,689	1,688	1,120	1,154
Unearned premium reserves	C8-2(b)	2,229	11,131	-	-
Income tax payable	F1-2	115	-	-	-
Provision for outstanding claims	C8-2(a)	16,794	17,022	-	-
Total current liabilities		67,508	62,428	22,031	17,040
Non-current liabilities					
Accrued employee benefits	C7	263	252	197	187
Provision for outstanding claims	C8-2(a)	67,700	68,016	-	-
Total non-current liabilities		67,963	68,268	197	187
TOTAL LIABILITIES		135,471	130,696	22,228	17,227
NET ASSETS					
NET ASSETS		164,924	148,716	65,752	66,511
EQUITY					
Share capital		-	-	-	-
Accumulated surplus		137,492	123,154	38,320	40,949
Asset revaluation surplus		27,432	25,562	27,432	25,562
TOTAL EQUITY		164,924	148,716	65,752	66,511

The accompanying notes form part of these statements.

Queensland Law Society Incorporated
Statement of Changes in Equity for the year ended 30 June 2021

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

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

The accompanying notes form part of these statements.

Queensland Law Society Incorporated
Statement of Cash Flows for the year ended 30 June 2021

	NOTE	Consolidated		Parent Entity	
		2021	2020	2021	2020
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from the profession		43,283	36,442	18,692	18,522
Receipts from commissions and funding		157	274	1,154	1,026
Payments to suppliers and employees		(24,367)	(31,184)	(17,601)	(21,729)
Receipts collected for Society entities		-	-	20,490	24,424
Payments to Society entities		-	-	(21,489)	(20,030)
Receipts collected for Legal Practitioners' Fidelity Guarantee Fund		653	261	653	261
Payments to Legal Practitioners' Fidelity Guarantee Fund		(653)	(261)	(653)	(261)
Reinsurance payments		(1,590)	(1,423)	-	-
Claims and claims related payments		(17,277)	(14,114)	-	-
Interest received		269	714	226	522
GST receipts		3,582	2,799	3,575	747
GST paid to ATO		(1,467)	(1,044)	(1,999)	(1,645)
Income tax paid	F1-2	291	(19)	-	-
Net cash (used in)/generated from operating activities	C1	2,881	(7,555)	3,048	1,837
Cash flows from investing activities					
Purchase of investments	C4	-	(2,840)	-	-
Proceeds from investment redemptions	C4	6,000	-	-	-
Cash distributions received		-	2,775	-	-
Payments for property, plant and equipment	C5	(1,794)	(577)	(1,794)	(493)
Net cash generated from/(used in) investing activities		4,206	(642)	(1,794)	(493)
Net increase/(decrease) in cash and cash equivalents held		7,087	(8,197)	1,254	1,344
Cash and cash equivalents at the beginning of the year		59,773	67,970	34,742	33,398
Cash and cash equivalents at the end of the year	C1	66,860	59,773	35,996	34,742

The accompanying notes form part of these statements.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

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

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The Society and its controlled entities (the Group) has prepared these financial statements in compliance with section 39 of the *Financial and Performance Management Standard 2020*. The financial statements comply with the Queensland Treasury's minimum Financial Reporting Requirements (FRR) for reporting periods beginning on or after 1 July 2020.

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.

No Australian accounting standards or interpretations that apply for the first time during 2020-21 had any impact on the Society.

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 2019-20 financial statements.

Current/non-current classification

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

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

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

A1-4 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

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

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-5 BASIS OF MEASUREMENT

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

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

Historical cost

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

Fair value

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

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

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

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

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

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

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

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-5 BASIS OF MEASUREMENT (continued)

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

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

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

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

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

Present value

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

A1-6 THE REPORTING ENTITY

The consolidated financial statements include all income, expenses, assets, liabilities and equity of the Society ("Parent Entity") and the entities it controls (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 2021

A3 CONTROLLED ENTITIES

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

- QLS Solicitor Support Pty Ltd (QSS): QSS commenced in October 2019 and provides legal services for the delivery of guidance, support and counsel to members of the Society and other legal practitioners on ethical and legal practice management issues. QSS also provides education and publications on legal ethics to the legal profession and practice management members of the Society and other legal practitioners.
- Law Claims Levy Fund (LCLF): LCLF is responsible for the management of professional indemnity claims of practitioners for the years 1987 to 1995, and the administration of insurance matters (jointly with Lexon Insurance Pte Ltd) in accordance with the Queensland Law Society Indemnity Rule 2005. LCLF was wholly controlled for the whole year.
- Lexon Insurance Pte Ltd (Lexon): This Company was established on 23 June 2001 in Singapore and is 100% owned by the Society. The principal activity of Lexon is that of a captive insurer providing professional indemnity insurance to members of the Queensland legal profession via a Master Policy with the Society. Lexon was wholly controlled for the whole year.

Details of controlled entities are outlined below:

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	27.2	(1.6)
Lexon Insurance Pte Ltd	100	177.1	116.4	41.4	11.3
QLS Solicitor Support	100	0.0	0.0	1.4	0.0

2019-20

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

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 2021

B1 REVENUE

B1-1 FEES AND MEMBERSHIP SERVICES

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

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

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.

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Membership and practitioner fees				
Practising certificate fees	6,339	7,989	6,346	7,994
Member fees	3,194	5,460	3,200	5,467
Limitation of liability scheme	832	789	832	789
Specialist accreditation fee	311	209	311	209
Certificate of fitness	57	68	57	68
	10,733	14,515	10,746	14,527
Membership services and events				
Courses, conferences and events	1,248	1,725	1,251	1,732
Membership services and products	311	523	311	523
Advertising and subscriptions	151	219	151	219
Marketing and sponsorship	160	296	160	296
	1,870	2,763	1,873	2,770
Total fees and membership services	12,603	17,278	12,619	17,297

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

B1-2 RENT AND ADMINISTRATION REVENUE

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

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Rent	214	271	219	277
Body corporate administration fee	25	15	25	15
Management fees				
Lexon Insurance Pte Ltd	-	-	494	480
Law Claims Levy Fund	-	-	49	49
Legal Practitioners' Fidelity Guarantee Fund	160	159	160	159
Legal Practitioners Admissions Board	55	36	55	36
Total rent and administration revenue	454	481	1,002	1,016

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.

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Queensland Law Foundation	33	123	33	123
Law Claims Levy Fund	-	-	995	728
Total grants and funding	33	123	1,028	851

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

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

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.

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Insurance levies	20,490	24,425	-	-
Unearned premium reserve (Note C8-2(b))	8,903	(4,593)	-	-
Reinsurance costs	(1,766)	(1,422)	-	-
Net premium revenue	27,627	18,410	-	-
Claims expense	(18,786)	(21,161)	-	-
Reinsurance and other recoveries	893	1,684	-	-
Net claims incurred (Note C8-2(a))	(17,893)	(19,477)	-	-
Stamp duty	(2,225)	(1,922)	-	-
Underwriting expenses (Lexon administrative and operating expenses)	(6,395)	(6,480)	-	-
Underwriting result	1,114	(9,469)	-	-

B1-5 INVESTMENT INCOME

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

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

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

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Distributions from investments	11,157	3,754	-	-
Interest income	269	714	226	522
Total investment income	11,426	4,468	226	522

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

B2 EXPENSES

B2-1 MEMBERSHIP SERVICES AND EVENTS EXPENDITURE

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Direct membership services and events expenditure				
Courses, conferences and events	191	523	191	523
Membership products and services	282	764	282	764
Printing and publications	106	250	106	221
Law Council capitation fees	588	1,174	588	1,174
Total membership services and events expenditure	1,167	2,711	1,167	2,682

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

B2-2 ADMINISTRATION EXPENSES

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Office administration and insurance	907	1,307	1,198	1,281
Actuarial fees	120	153	-	-
Audit fees * #	199	203	81	82
Bad debts (recovery)	68	(17)	-	-
Body corporate, electricity, rates and taxes	517	547	513	543
Captive managers fee	103	100	-	-
Catering, functions and entertainment	76	144	64	107
Regulatory audits and investigations	28	65	28	65
Directors' fees	327	328	-	-
Bank fees and finance costs	140	136	112	109
Information technology and related costs	1,556	1,271	1,016	762
Investment management fees	744	707	-	-
Office rent	9	9	-	-
Presentations, donations and gifts	59	76	59	72
Professional and consulting fees	1,105	1,177	749	689
Repairs and maintenance	225	250	220	248
Travel and vehicle costs	201	279	63	126
Liability capping scheme	324	311	324	311
	6,708	7,046	4,427	4,395
Council and committee costs				
Honorarium	397	414	397	414
Travel and accommodation	35	37	35	37
Catering and functions	11	13	11	13
	443	464	443	464
Total administration expenses	7,151	7,510	4,870	4,859

*Total audit fees paid to Queensland Audit Office for the Society relating to the 2020-21 financial year are estimated to be \$81,100 (2019-20: \$81,100). 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 2020-21 financial year are estimated to be \$92,361 (2019-20: \$95,968). Taxation fees paid to PWC Brisbane are disclosed in the professional and consulting fee line above and in the 2020-21 financial year amount to \$34,645 (2019-20: \$31,080). In addition in 2020-21 there was \$17,340 paid to PWC Legal Brisbane (2019-20 \$17,340).

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

B2-3 EMPLOYEE EXPENSES

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Employee benefits				
Wages and salaries	12,629	12,519	9,264	9,088
Employer superannuation contributions	1,158	1,151	862	850
Movement in annual leave provision	(58)	158	(48)	93
Movement in long service leave provision	126	48	69	19
Staff training and development	27	31	29	38
Employee related expenses				
Workers' compensation premiums	41	46	33	37
Payroll taxes	696	578	492	385
Other employee benefits	33	38	26	31
Total employee expenses	14,652	14,569	10,727	10,541

Employee numbers

	Consolidated		Parent	
	2021	2020	2021	2020
Number of employees at year end	136	150	119	118
Number of full time equivalent employees at year end	121	124	104	96

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 2021

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Cash at bank	1,577	3,790	739	654
Cash deposit accounts	45,659	40,693	19,633	18,798
Term deposits	19,624	15,290	15,624	15,290
Total cash and cash equivalents	66,860	59,773	35,996	34,742

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

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Operating (deficit) surplus after income tax	14,338	(10,242)	(2,629)	633
Adjustments for:				
Investment income	(22,160)	1,130	-	-
Adoption of AASB 16 (including tax)	-	(340)	-	-
Add/(less) non-cash items:				
Depreciation and amortisation	1,449	1,478	1,226	1,253
Change in assets and liabilities:				
(Increase)/decrease in assets:				
Receivables	286	(650)	(550)	(102)
Movement in provision for bad debts	69	(18)	-	-
Assets recognised due to AASB 16	(812)	-	-	-
Increase/(decrease) in liabilities:				
Payables	14,093	(8,378)	5,025	(132)
Accrued employee benefits	12	275	(24)	185
Provision for outstanding claims	(9,280)	10,537	-	-
Tax related balances	4,886	(1,347)	-	-
Net cash (used in)/generated from operating activities	2,881	(7,555)	3,048	1,837

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

C2 RECEIVABLES

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

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

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

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Accounts receivable	297	239	519	8
Reinsurance recoverable	-	-	-	-
Less: provision for doubtful debts	(99)	(30)	-	-
	198	209	519	8
Prepaid expenses and other receivables	998	1,341	697	658
Total receivables	1,196	1,550	1,216	666

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	
	2021	2020	2021	2020
	\$'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 2021

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 2021, investments are classified as non-current assets as they are kept long term and the full value will not be realised within the accounting year.

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Investment in listed funds				
Opening balance	179,478	180,559	-	-
Additions	-	2,840	-	-
Additions via reinvestment	11,157	914	-	-
Disposal proceeds	(6,000)	-	-	-
Gain / (loss) on disposal	13	-	-	-
Fair value movements	10,991	(4,835)	-	-
Closing balance	195,638	179,478	-	-

Fair value measurements

		Consolidated		Parent Entity	
		2021	2020	2021	2020
		\$'000	\$'000	\$'000	\$'000
Fair Value Input	Type				
Level 1	None	-	-	-	-
Level 2	Investments	195,638	179,478	-	-
Level 3	None	-	-	-	-
		195,638	179,478	-	-

All investments as classified as Level 2 and are placed with QIC.

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 2021

C5 PROPERTY, PLANT AND EQUIPMENT

C5-1 CONSOLIDATED

	Buildings \$'000	Plant and Equipment \$'000	Work In Progress \$'000	Total \$'000
2021				
Cost or valuation				
At the beginning of the year	27,441	9,641	172	37,254
Additions	485	72	1,238	1,794
Additions - right of use assets	-	812	-	812
Transfers between classes	-	399	(399)	-
Disposals	-	-	-	-
Revaluations	(186)	-	-	(186)
At the end of the year	27,740	10,924	1,011	39,675
Depreciation				
At the beginning of the year	(1,370)	(6,252)	-	(7,622)
Charge for the year	(686)	(763)	-	(1,449)
Revaluations	2,056	-	-	2,056
At the end of the year	-	(7,015)	-	(7,015)
Net book value at 30 June 2021	27,740	3,909	1,011	32,660
2020				
Cost or valuation				
At the beginning of the year	27,359	8,910	-	36,269
Additions	-	405	172	577
Adoption of AASB16	-	326	-	326
Revaluations	82	-	-	82
At the end of the year	27,441	9,641	172	37,254
Depreciation				
At the beginning of the year	(684)	(5,457)	-	(6,141)
Charge for the year	(683)	(795)	-	(1,478)
Revaluations	(3)	-	-	(3)
At the end of the year	(1,370)	(6,252)	-	(7,622)
Net book value at 30 June 2020	26,071	3,389	172	29,632
Property, plant and equipment is stated as follows:				
30 June 2021				
At valuation	27,740	-	-	27,740
At cost	-	10,924	1,011	11,935
At the end of the year	27,740	10,924	1,011	39,675
Depreciation	-	(7,015)	-	(7,015)
	27,740	3,909	1,011	32,660
30 June 2020				
At valuation	27,441	-	-	27,441
At cost	-	9,641	172	9,813
At the end of the year	27,441	9,641	172	37,254
Depreciation	(1,370)	(6,252)	-	(7,622)
	26,071	3,389	172	29,632

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

C5-2 PARENT ENTITY

	Buildings \$'000	Plant and Equipment \$'000	Work In Progress \$'000	Total \$'000
2021				
Cost or valuation				
At the beginning of the year	27,441	8,430	172	36,043
Additions	485	71	1,238	1,794
Transfers between classes	-	399	(399)	-
Disposals	-	-	-	-
Revaluations	(186)	-	-	(186)
At the end of the year	27,740	8,900	1,011	37,651
Depreciation				
At the beginning of the year	(1,370)	(5,343)	-	(6,713)
Charge for the year	(686)	(540)	-	(1,226)
Revaluations	2,056	-	-	2,056
At the end of the year	(1)	(5,883)	-	(5,883)
Net book value at 30 June 2021	27,740	3,017	1,011	31,768
2020				
Cost or valuation				
At the beginning of the year	27,359	8,109	-	35,468
Additions	-	321	172	493
Revaluations	82	-	-	82
At the end of the year	27,441	8,430	172	36,043
Depreciation				
At the beginning of the year	(684)	(4,773)	-	(5,457)
Charge for the year	(683)	(570)	-	(1,253)
Revaluations	(3)	-	-	(3)
At the end of the year	(1,370)	(5,343)	-	(6,713)
Net book value at 30 June 2020	26,071	3,087	172	29,330
Property, plant and equipment is stated as follows:				
30 June 2021				
At valuation	27,740	-	-	27,740
At cost	-	8,900	1,011	9,911
At the end of the year	27,740	8,900	1,011	37,651
Depreciation	(1)	(5,883)	-	(5,884)
	27,740	3,017	1,011	37,651
30 June 2020				
At valuation	27,441	-	-	27,441
At cost	-	8,430	172	8,602
At the end of the year	27,441	8,430	172	36,043
Depreciation	(1,370)	(5,343)	-	(6,713)
	26,071	3,087	172	29,330

C5 PROPERTY, PLANT AND EQUIPMENT (continued)**C5-3 ACQUISITION OF ASSETS**

All assets acquired are recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Plant and equipment acquired are expensed unless the initial cost exceeds \$2,000 excluding GST. Plant and Equipment also includes Right of Use Assets under AASB16. Buildings and leasehold improvements are recognised upon acquisition if the initial cost exceeds \$10,000 excluding GST.

C5-4 DEPRECIATION AND AMORTISATION

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

Assets are depreciated or amortised from the date of acquisition. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount depreciated over the remaining or adjusted useful life of the asset. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods.

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

	2021	2020
<i>Asset Class</i>		
Buildings	2.5%	2.5%
Plant and Equipment	10% - 33%	10% - 33%

C5-5 IMPAIRMENT OF PLANT AND EQUIPMENT

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

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

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

C5-6 MEASUREMENT USING FAIR VALUE

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

C5 PROPERTY, PLANT AND EQUIPMENT (continued)

C5-6 MEASUREMENT USING FAIR VALUE (continued)

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

An independent valuation of the strata title building was carried out as at 30 June 2021 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.

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 2021 are all Level 2 – Strata Title Building.

Accounting for Changes in Fair Value

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

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

C5-7 RECENT UPDATES

The International Accounting Standards Board's IFRS Interpretations Committee (IFRIC) published an agenda decision in April 2021 outlining how costs of configuring or customising a supplier's software in a Software-as-a Service (SaaS) environment, more commonly known as cloud computing, should be accounted for.

As outlined in the agenda decision, an agency will often not control the software being configured or customised under a SaaS arrangement and therefore should not capitalise the related costs as an intangible asset. The Group has capitalised in work in progress \$932,000 in customisation and implementation costs related to its CRM project which may be impacted by this agenda decision. Costs deemed ineligible for capitalisation will either be expensed or treated as a prepayment depending on the nature of the costs incurred.

Any change in accounting policy will be applied retrospectively in the next financial year to enable the Group to determine the appropriate accounting treatment for the costs capitalised.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Income in advance	14,990	9,637	14,966	9,613
Unearned insurance levies	25,139	18,992	-	-
Trade creditors	1,199	350	219	227
Legal Practitioners' Fidelity Guarantee Fund	60	59	60	59
Law Claims Levy Fund	-	-	3,742	4,739
Lease Liability	852	250	-	-
Other payables and accruals	4,441	3,299	1,924	1,249
Total payables	46,681	32,587	20,911	15,886

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

C7 ACCRUED EMPLOYEE BENEFITS

Annual leave and long service leave

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in accrued employee benefits and measured as the present value of expected future cash outflows to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels and experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. 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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current				
Annual leave	747	866	551	654
Long service leave	942	822	569	500
Total current accrued employee benefits	1,689	1,688	1,120	1,154
Non-current				
Long service leave	263	252	197	187
Total non-current accrued employee benefits	263	252	197	187
Current long service leave	942	822	569	500
Non-current long service leave	263	252	197	187
Total accrued long service leave	1,205	1,074	766	687

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 2021

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Opening provision for outstanding claims	85,038	78,814	-	-
Claims incurred	18,603	20,513	-	-
Claims paid during the year	(19,083)	(14,939)	-	-
Movement in claims handling provision	(64)	649	-	-
Closing provision for outstanding claims	84,494	85,038	-	-
Opening insurance contract liabilities ceded	(701)	(731)	-	-
Movement in reinsurance recoveries	427	30	-	-
Reinsurance receivables invoiced	-	-	-	-
Closing insurance contract liabilities ceded	(274)	(701)	-	-
Net outstanding claims	84,220	84,337	-	-
Law Claims Levy Fund	-	-	-	-
Lexon Insurance Pte Ltd	84,220	84,337	-	-
Net outstanding claims	84,220	84,337	-	-

Disclosed in the Statement of Financial Position as:	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current insurance contract liabilities ceded	(82)	(250)	-	-
Non-current contract liabilities ceded	(192)	(451)	-	-
Insurance contract liabilities ceded	(274)	(701)	-	-
Current provision for outstanding claims	16,794	17,022	-	-
Non-current provision for outstanding claims	67,700	68,016	-	-
Provision for outstanding claims	84,494	85,038	-	-
Net claims outstanding	84,220	84,337	-	-

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

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
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

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

Risk margin

The risk margin (after allowance for CHE) included in the net outstanding claims is 33.2% (2019-20: 33.0%) of the central estimate, with a probability of sufficiency of approximately 90% (2019-20: 90%).

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

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 2021			For the year ended 30 June 2020		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred						
Undiscounted	17,711	(192)	17,519	16,236	1,994	18,230
Discount	(358)	54	(304)	(218)	796	578
	17,353	(138)	17,215	16,018	2,790	18,808
Reinsurance recoveries						
Undiscounted	(95)	521	426	(94)	134	40
Discount	2	(2)	-	1	(11)	(10)
	(93)	519	426	(93)	123	30
Net claims						
Undiscounted	17,616	329	17,945	16,142	2,128	18,270
Discount	(356)	52	(304)	(217)	785	568
	17,260	381	17,641	15,925	2,913	18,838
Risk margins	6,884	(6,816)	68	6,687	(6,697)	(10)
Claims handling expenses	1,910	(1,972)	(62)	1,790	(1,141)	649
Net claims incurred	26,054	(8,407)	17,647	24,402	(4,925)	19,477

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 2021

C8 PROVISIONS (continued)

C8-2 INSURANCE LIABILITIES (continued)

(b) Unearned Premium and Reserves

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

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

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

Unearned premium and premium reserves

	2021 \$'000	2020 \$'000
Opening unearned premiums	18,992	22,994
Movement in unearned premiums during the year	6,147	(4,002)
Closing unearned premiums	25,139	18,992
Opening unearned premium reserves	11,131	6,538
Movement in unearned premium reserves	(8,902)	4,593
Closing unearned premium reserves	2,229	11,131
To be earned within 12 months	27,368	30,123
To be earned in greater than 12 months	-	-
Total unearned premiums and reserves	27,368	30,123

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

	2021 \$'000	2020 \$'000
Unearned premium	25,139	18,992
Unearned premium reserves	2,229	11,131
Total unearned premium and reserves	27,368	30,123
Reinsurers' share of unearned premium reserves	(1,933)	(1,674)
Net unearned premiums and reserves	25,435	28,449

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

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

	2021	2020
	\$'000	\$'000
Undiscounted central estimate	18,748	20,122
Discount to present value	(548)	(361)
Discounted central estimate	18,200	19,761
Reinsurance and other costs	3,349	3,018
Claims handling costs	1,854	2,009
Risk margin	3,965	5,335
Expected present value of future cash flows for future claims including risk margin	27,368	30,123
Unearned premiums	25,139	18,992
Deficiency	2,229	11,131

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 18.2% (2019-20: 24.5%) 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 2021

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
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
2020				
Unearned premium reserves				
Unexpired risk reserve	-	-	-	-
Gross central estimate	3,792	12,205	6,004	22,001
Unexpired risk reserves - reinsurance	(37)	(202)	(99)	(338)
Net central estimate	3,755	12,003	5,905	21,663
Discount				(362)
Risk margins				5,335
Duty and other costs				1,478
Claims handling				2,009
Total unearned premium and reserves				30,123

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Leasehold premises	812	140	-	-
Leasehold motor vehicles	39	78	-	-
Total	851	218	-	-

(b) Depreciation charge during the year

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Leasehold premises	140	140	-	-
Leasehold motor vehicles	39	39	-	-
Total	179	179	-	-

(c) Interest expense

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Interest expense on lease liabilities	7	16	-	-

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 2021

C9 LEASES

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Less than 1 year	13	152	13	152
1 to 5 years	105	102	105	102
More than 5 years	-	-	-	-
Total	118	254	118	254

D1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Actuarial methodology for estimate for policyholder claims

The Group's estimates for reported and unreported losses, establishing resulting provisions and related reinsurance recoverables are continually reviewed and updated, and adjustments resulting from this review are reflected in the Statement of Comprehensive Income. The process relies upon the use of external advisors (lawyers, actuaries and loss adjustors) and the assumption that past experience is an appropriate basis for predicting future events.

In estimating the outstanding claims liability, projected future claim payments are discounted to the calculation date for each claim year.

The projected future claims payments for each year are based on the claim estimates and an allowance for the development of claims (Incurred But Not Enough Reported – IBNER) especially for the recent claim years in respect of which limited claims information is available and estimates are therefore the most subjective; and an allowance for losses, which were incurred but have not yet been reported (Incurred But Not Reported – IBNR).

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

Key assumptions

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

- The ICD basis allows for the following development:

Development Year							
Development Factor	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8
Current Year	24.6%	18.5%	16.4%	7.0%	5.1%	3.5%	2.3%
Prior Year	20.4%	20.4%	16.4%	7.0%	5.1%	3.5%	2.3%

- The average cost per solicitor (used in the BF method) adopted is \$2,800 (2020: \$2,900).
- The Group has assumed reinsurance recoveries will be fully recoverable on a prompt basis.
- The Group has applied the zero-coupon yield for Government issued bonds to the expected future cash flows. This has resulted in a uniform discount rate of 0.60% (2020: 0.40%) 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 \$2,500 (2020: \$2,900)
- The estimated growth in solicitor numbers is 3.5% (2020: 0.8%)

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 \$112.6 million (2020: \$102.2 million) before risk margins; and \$92.5 million (2020: \$82.2 million) after allowing risk margins to the 90th probability of sufficiency. The unused net exposure per policy year ranges from \$0 to \$13.3 million (2020: \$0 to \$13.7 million) with an average of \$7.7 million (2020: \$4.6 million); however this increases to \$8.4 million (2020: \$6.6 million) in relation to years that have an outstanding balance.

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

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

- Reserve under estimation: A 10% (2020: 10%) reserve under estimation results in an additional gross undiscounted reserve of \$5.9 million (2020: \$5.9 million) and net discounted reserve (after risk margins) of \$8.4 million (2020: \$8.4 million) or 10% (2020: 10%) of the discounted net central estimate plus risk margins.
- Reserve over estimation: If estimated reserves on all years improved by 10% (2020: 10%) then it would result in a decrease in gross undiscounted reserve of \$5.9 million (2020: \$5.9 million) and the total net provision (after risk margins) would decrease by \$8.4 million (2020: \$8.4 million) or 10% (2020: 10%) of the discounted net central estimate plus risk margins.
- Discount rate: A half a percentage point decrease in discount rate from 0.6% (2020: 0.4%) to 0.10% (2020: -0.10%) would increase the provision by \$1.1 million (2020: \$1.1 million) or 1.3% (2020: 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 \$0.7 million (2020: \$0.7 million) or 0.8% (2020: 0.9%) of the discounted net central estimate plus risk margins.
- Cost per solicitor under estimation: An increase in the cost per solicitor from \$2,800 to \$3,300 (2020: \$2,900 to \$3,400) increases the provision by \$2.7 million (2020: \$2.9 million) or 3.2% (2020: 3.4%) of the discounted net central estimate plus risk margins.

D1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key assumptions (continued)

Sensitivity analysis of key estimates (continued)

- Cost per solicitor over estimation: A reduction in the cost per solicitor from \$2,800 to \$2,300 (2020: \$2,900 to \$2,400) reduces the provision by \$2.7 million (2020: \$2.9 million) or 3.2% (2020: 3.4%) 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% (2020: 10%) under estimation results in an additional gross undiscounted reserve of \$2.4 million (2020: \$2.7 million) and net discounted reserve (after risk margins) of \$2.4 million (2020: \$2.7 million) or 9.3% (2020: 9.4%) of the discounted net unearned premium reserve estimate including risk margins.
- Solicitor number over estimation: A 10% (2020: 10%) over estimation results in a decrease in gross undiscounted reserve of \$2.4 million (2020: \$2.7 million) and net discounted reserve (after risk margins) of \$2.4 million (2020: \$2.7 million) or 9.3% (2020: 9.4%) 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\$2,500 to \$3,000 (2020: \$2,900 to \$3,400) increases the provision by \$4.8 million (2020: \$4.7 million) or 18.7% (2020: 16.3%) of the discounted net unearned premium reserve estimate including risk margins.
- Cost per solicitor over estimation: A reduction in the cost per solicitor from \$2,500 to \$2,000 (2020: \$2,900 to \$2,400) reduces the provision by \$4.8 million (2020: \$4.7 million) or 18.7% (2020: 16.3%) of the discounted net unearned premium reserve estimate including risk margins.

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

D2-1 INSURANCE RISK

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

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

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

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

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-1 INSURANCE RISK (continued)

(a) Underwriting strategy

The Group is unable to provide a diversified portfolio of similar risks due to its licensing arrangement. The Group currently only underwrites the risk of the Society. Such a focus on one “insured” group does create a wider variability of outcomes than a balanced portfolio.

(b) Reinsurance strategy

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

- reduce risk; and
- stabilise solvency.

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

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after known deductions for insolvencies and uncollectable items. The Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors of Lexon is responsible for setting the minimum security criteria for acceptable reinsurance.

(c) Terms and conditions of insurance contracts

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

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

Product features

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

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

This line is typically the largest source of uncertainty regarding claims reserves. Major contributors to this provision estimate uncertainty include the reporting lag, the number of parties involved in the underlying action, the potential amounts involved and whether such claims were reasonably foreseeable and intended to be covered at the time the contracts were written. Claims with longer reporting lag will result in greater inherent risk.

Management of risks

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

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

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-1 INSURANCE RISK (continued)

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

Claims development history

	2014/15 & prior	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross								
Estimate of ultimate claims								
Costs:								
· at end of reporting year		15,869	18,184	19,879	17,363	16,411	17,744	
· one year later		15,247	16,475	18,895	18,051	16,769		
· two years later		13,390	14,290	18,680	17,671			
· three years later		14,842	12,859	18,870				
· four years later		14,710	13,944					
· five years later		14,946						
Cumulative payments to date	-	11,608	-	10,510	-	7,923	-	4,022
Estimate of claims reserve		3,338	3,434	6,467	9,748	12,747	16,720	
Effect of discounting	-	26	-	35	-	156	-	237
Best estimate of claims liability	6,182	3,312	3,400	6,382	9,592	12,510	16,362	57,741
Risk margin								20,044
Provision for claims handling								6,709
Total gross outstanding claims included in the Statement of Financial Position								84,494
Movement in accident year estimate before discounting and margins	-	1,733	236	1,085	190	-	379	359
Movement in excess receivable								16
Gross claims incurred								17,519
Net								
Estimate of ultimate claims								
Costs:								
· at end of reporting year		15,869	18,161	19,834	17,303	16,316	17,649	
· one year later		15,247	16,454	18,852	17,991	16,707		
· two years later		13,390	14,271	18,645	17,623			
· three years later		14,842	12,850	18,856				
· four years later		14,710	13,938					
· five years later		14,946						
Cumulative payments to date	-	11,608	-	10,510	-	7,923	-	4,022
Estimate of claims reserve		3,338	3,428	6,452	9,700	12,685	16,625	
Effect of discounting	-	26	-	34	-	155	-	236
Best estimate of claims liability	6,129	3,312	3,394	6,367	9,545	12,449	16,269	57,465
Risk margin								20,044
Provision for claims handling								6,709
Total net outstanding claims included in the Statement of Financial Position								84,218
Movement in accident year estimate before discounting and margins	-	1,277	236	1,087	210	-	367	390
Movement in excess receivable								16
Net claims incurred								17,945

The Group monitors and reacts to changes in the general economic and commercial environment in which it operates. The Group also assesses the need to minimise its underwriting risks by retaining part of the risks underwritten for its own account and reinsuring the remainder.

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

D2-2 REINSURANCE RISK

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

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

D2-3 CONCENTRATION OF RISK

The concentration of insurance risk before and after reinsurance is solely in Australia and from a single line of business, Professional Indemnity Insurance (for the provision of legal services).

D2-4 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Recognition of financial instruments

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

Classification of financial instruments

Financial instruments are classified and measured as follows:

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

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

Financial risk management

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

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

(a) Currency risk

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

The Group holds minor cash balances in Singapore Dollars.

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

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

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

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

(a) Currency risk (continued)

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

(b) Price and interest rate risk

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

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

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

Duration and Tracking Error Limits (interest rate management)

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

Rolling year ex-post tracking error will be limited to a specified number of basis points. The ex-ante tracking error of the funds is not expected to exceed a specified number of basis points.

Sector Exposure Bands

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

Credit Limits

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

Credit Risk Limits for Individual Security Investments

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

(c) Credit risk

There is no significant credit risk with respect to the collectability of premiums as the Group only underwrites risks from members. All premiums are paid up front at the commencement of the period covered under the insurance policy.

Credit risk arising on funds placed with external fund managers and on reinsurance activities is managed by established policies to ensure that the counter-parties have adequate financial ratings and appropriate credit history.

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

At balance date no financial assets are past due nor impaired other than trade receivables noted below. Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

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

(c) Credit risk (continued)

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

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

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

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

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

Trade and other receivables include excess balances of \$204,611 (2019-20: \$61,363) which are more than one month past due. There is a provision of \$98,611 (2019-20: \$30,111) on these outstanding balances.

There were no reinsurance recoveries (2019-20: \$Nil) outstanding more than one month.

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

(iii) Credit ratings

The following table shows the investment grades of balances due:

	Investment Grade (AAA to BBB) \$'000	Not rated \$'000	Total \$'000
At 30 June 2021			
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
At 30 June 2020			
Cash and cash equivalents	59,772	1	59,773
Reinsurers' share of outstanding claims reserves	701	-	701
Trade and other receivables	-	1,550	1,550
Financial assets at fair value through profit or loss	-	179,478	179,478
Total	60,473	181,029	241,502

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

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

(d) Liquidity risk

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

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

(e) Capital risk

The Group's objectives when managing capital are to ensure that the Group is adequately capitalised and assessing shortfalls between reported and required capital levels on a regular basis. Capital is calculated in accordance with Australian Prudential Regulatory Authority's guidelines.

Lexon is required under the *Singapore Insurance Act*, Cap. 142 and the relevant Regulations made thereunder to meet and maintain at all times during the course of each financial year that it carries on insurance business, minimum fund solvency and capital solvency requirements. As at balance date, Lexon has met the fund solvency requirement for its Offshore Insurance Fund and the minimum capital adequacy requirement.

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

(f) Sensitivity Analysis

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

Interest rate sensitivity

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

Inflation risk sensitivity

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

Currency sensitivity

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

Equity sensitivity

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

D2 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

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

(f) Sensitivity Analysis (continued)

Property stress

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

Credit spread stress

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

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

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

	2021	2020
	\$'000	\$'000
Stress Test		Upward impact
Interest rate	(619)	(296)
Inflation	(3,291)	(2,713)
Currency	(4,455)	(4,239)
		Downward impact
Interest rate	478	214
Inflation	2,888	2,312
Currency	(70)	(664)
Stress Test		Impact
Equity	(28,554)	(26,006)
Property	(2,522)	(2,610)
Credit spread	(7,593)	(6,138)

D3 COMMITMENTS

D3-1 CAPITAL EXPENDITURE COMMITMENTS

There was no capital expenditure contracted for 30 June 2021 but not provided for (2019-20: Nil).

D4 CONTINGENT LIABILITIES AND EVENTS AFTER BALANCE DATE

Lexon has a bank guarantee for \$108,031 (2019-20: \$108,031) in favour of the lessor of 307 Queen Street, Brisbane QLD 4000 which can be drawn upon in the event of a default in accordance with the rental agreement.

D5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

AASB 17 Insurance Contracts

AASB 17 will come into effect for financial periods beginning on or after 1 January 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 an important change to the accounting policies for the insurance contract liabilities of the Group and is likely to have a significant 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 2020-21 and 2019-20. This is supported through the Council Charter which is available on the Society's website. Further information on these positions can be found in the body of the Annual Report.

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

E1 KEY MANAGEMENT PERSONNEL DISCLOSURES

(continued)

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

Position	Person	Start of Term	End of Term
President	Elizabeth Shearer	1/01/2021	31/12/2021
President	Luke Murphy	1/01/2020	31/12/2020
President	William Potts	1/01/2019	31/12/2019
Deputy President	Elizabeth Shearer	1/01/2020	31/12/2020
Vice President	Kara Thomson	23/01/2020	31/12/2021
Vice President	Peter Lyons	1/01/2020	22/01/2020
Vice President	Christopher Coyne	1/09/2017	31/12/2019

KMP Remuneration Policy

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

Short term employee expenses which include:

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

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

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

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

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

E1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

KMP Remuneration Policy (continued)

KMP remuneration

1 July 2020 – 30 June 2021

Position	Short Term Employee Expenses		Post Employment Benefits	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits			
	\$'000	\$'000	\$'000	\$'000	\$'000
President					
1 January 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	351	6	22	-	379

1 July 2019 – 30 June 2020

Position	Short Term Employee Expenses		Post Employment Benefits	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits			
	\$'000	\$'000	\$'000	\$'000	\$'000
President					
1 January 2020 - 30 June 20	131	3	11	-	145
President					
1 July 2019 - 31 December 2019	151	3	11	-	165
Deputy President					
1 January 2020 - 30 Jun 2020	43	3	4	-	50
Vice President					
1 July 2019 - 31 December 2019	43	3	4	-	50
CEO					
1 July 2019 - 30 June 2020	309	9	21	-	339

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 2020-21 (2019-20: nil) for bonus paid to the Chief Executive Officer.

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

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.

	2021	2020
	\$	\$
Management fees and recovery expenditure paid to the parent entity by:		
Lexon Insurance Pte Ltd	493,669	480,200
Law Claims Levy Fund	49,178	49,102
Legal Practitioners' Fidelity Guarantee Fund	160,176	159,881
Legal Practitioners Admissions Board	55,531	36,144
Grant funding paid by parent entity to QLS Solicitors Support	1,408,022	1,263,627
Gross premium paid by Law Claims Levy Fund to Lexon	24,812,902	21,736,533
Grant paid by LCLF to parent entity	994,430	727,985
Professional fees paid to a firm of which a councillor of QLS is a member:		
McInnes Wilson Lawyers	-	990
Potts Lawyers	-	14,940
Professional fees paid to a firm of which a director of Lexon is a member:		
McInnes Wilson Lawyers	-	615,461
Potts Lawyers	-	37,922
Other non-claim professional advice provided:		
McInnes Wilson	-	25,300
Management fees paid to a firm which a director of Lexon is a member:		
AON Insurance Managers (Singapore) Pte Ltd	103,000	100,000
Key management personnel compensation for Lexon:		
Directors' fees*	441,840	442,276
Other officers:		
Salaried and other short term employee benefits	1,181,990	1,210,885
Employer's contribution to defined contribution plans	86,364	83,802

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

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

Changes in accounting policy

The Group did not voluntarily change any of its accounting policies during 2020-21.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2020-21.

Accounting standards applied for the first time

No Australian Standards have been applied for the first time during 2020-21.

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 2021

F1 TAXATION (continued)

F1-1 INCOME TAX EXPENSE

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Tax expense attributable to profit is made up of:				
Current income tax	115	-	-	-
Deferred income tax (Note F1-3)	4,478	(1,315)	-	-
	4,593	(1,315)	-	-
(Over)/under provision in preceding financial years	-	-	-	-
Current income tax	-	-	-	-
Deferred income tax (Note F1-3)	-	1	-	-
Total income tax (credit)/expense	4,593	(1,314)	-	-

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Operating surplus before income tax	18,931	(11,556)	-	-
Tax calculated at a tax rate of 30% (2020: 30%)	5,679	(3,467)	-	-
Effects of:				
Income not subject to tax	(914)	2,278	-	-
Prior year adjustments	-	(1)	-	-
Franking and other credits available	(172)	(124)	-	-
	4,593	(1,314)	-	-

Queensland Law Society Incorporated

Notes to the Financial Statements for the year ended 30 June 2021

F1 TAXATION (continued)

F1-2 INCOME TAX RECEIVABLE

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Income tax at the beginning of the financial year	(291)	(272)	-	-
Income tax refunded/(paid)	291	(19)	-	-
Current year income tax	115	-	-	-
(Over)/under provision in preceding financial years	-	-	-	-
Income tax receivable at the end of the financial year	115	(291)	-	-

F1-3 DEFERRED INCOME TAX BALANCES

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

	Consolidated		Parent	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets				
Balance at the beginning of the financial year	6,313	4,986	-	-
Charge to profit or loss:				
- Actuarial provisions	(491)	(612)	-	-
- Investment income	(1,668)	(137)	-	-
- Income losses	(2,292)	2,045	-	-
- Other	(28)	30	-	-
Net deferred tax asset at end of the financial year	1,834	6,313	-	-


Queensland Law Society Incorporated

Management Certificate for the year ended 30 June 2021

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 2021 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
Elizabeth Shearer

26/08/2021



Chief Executive Officer
Queensland Law Society
Rolf Moses

26/08/2021

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 2021, and their financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the statements of financial position as at 30 June 2021, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

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

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

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

Responsibilities of the Council for the financial report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards, and for such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, 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 parent or group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2021:

- 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

27 August 2021
Queensland Audit Office
Brisbane

LAW CLAIMS LEVY FUND

Financial Report
For the year ended 30 June 2021

Table of contents

Financial Statements	Statement of Comprehensive Income	Page 145
	Statement of Financial Position	Page 146
	Statement of Changes in Equity	Page 147
	Statement of Cash Flows	Page 148
Notes to the Financial Statements	A1. Basis of Financial Statement Preparation	Page 149
	A1-1 General Information	Page 149
	A1-2 Compliance with Prescribed Requirements	Page 149
	A1-3 Presentation	Page 149
	A1-4 Basis of Measurement	Page 150
	A1-5 Authorisation of Financial Statements for Issue	Page 150
	A2. The Fund's Objectives	Page 151
	B1. Revenue	Page 151
	B1-1 Insurance Levies	Page 151
	B1-2 Other Income	Page 151
	B2. Expenses	Page 152
	B2-1 Administration Expenses	Page 152
	B2-2 Audit Fees	Page 152
	B2-3 Insurance Premiums	Page 152
	C1. Cash and Cash Equivalents	Page 152
	C2. Receivables	Page 153
	C3. Investments	Page 153
	C4. Income in Advance	Page 154
	C5. Payables	Page 154
	D1. Critical Accounting Estimates and Judgements	Page 154
	D2. Financial Instruments and Financial Risk Management	Page 154
	D3. Contingent Liabilities and Events After Balance Date	Page 157
	E1. First Year Application of New Accounting Standards or Change in Accounting Policy	Page 158
	E2. Taxation	Page 158
Certification	Management Certificate	Page 159
	Independent Auditor's Report	Page 160

Law Claims Levy Fund

Statement of Comprehensive Income for the year ended 30 June 2021

		2021	2020
	Notes	\$'000	\$'000
Revenue			
Insurance levies	B1-1	20,490	24,425
Total levies		20,490	24,425
Other income			
Interest income		4	43
Investment income		895	914
Fair value gains/(losses) on investments		5,799	(1,228)
Other income		13	71
Total other income	B1-2	6,711	(200)
Total revenue		27,201	24,225
Expenses			
Administration expenses	B2-1	1,307	1,042
Audit fees	B2-2	20	21
Insurance premiums	B2-3	25,237	22,193
Stamp duty		2,225	1,923
Total expenses		28,789	25,179
Operating result for the year		(1,588)	(954)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,588)	(954)

The accompanying notes form part of these statements.

Law Claims Levy Fund

Statement of Financial Position as at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	C1	21,738	15,908
Receivables	C2	3,808	5,237
Total current assets		25,546	21,145
Non-current assets			
Investments	C3	57,684	56,990
Total non-current assets		57,684	56,990
Total assets		83,231	78,135
Current liabilities			
Income in advance	C4	25,139	18,992
Payables	C5	579	43
Total current liabilities		25,718	19,035
Total liabilities		25,718	19,035
Net assets		57,512	59,100
Equity			
Accumulated surplus		57,512	59,100
Total equity		57,512	59,100

The accompanying notes form part of these statements.

Law Claims Levy Fund

Statement of Changes in Equity for the year ended 30 June 2021

	2021 \$'000	2020 \$'000
Accumulated surplus		
Balance at 1 July	59,100	60,054
Total comprehensive income for the year	(1,588)	(954)
Balance at 30 June	57,512	59,100

The accompanying notes form part of these statements.

Law Claims Levy Fund

Statement of Cash Flows for the year ended 30 June 2021

		2021 \$'000	2020 \$'000
	Notes	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from the profession and reinsurers		27,625	16,099
Payments to suppliers		(27,798)	(25,664)
Interest received		4	43
Net cash (used in)/generated from operating activities	C1	(170)	(9,522)
Cash flows from investing activities			
Proceeds from investments		6,000	-
Net cash generated from investing activities		6,000	-
Net increase in cash and cash equivalents held		5,830	(9,522)
Cash and cash equivalents at the beginning of the financial year		15,908	25,430
Cash and cash equivalents at the end of the financial year	C1	21,738	15,908

The accompanying notes form part of these statements.

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2021

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

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

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

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

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The Fund has prepared these financial statements in compliance with section 39 of the *Financial and Performance Management Standard 2019*. The financial statements comply with the Queensland Treasury's minimum Financial Reporting Requirements for reporting periods beginning on or after 1 July 2020.

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 2019-20 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 2021

A1-4 BASIS OF MEASUREMENT

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

Historical cost

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

Fair value measurement

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

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

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

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

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

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

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

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

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

A1-5 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

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

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2021

A2 THE FUND'S OBJECTIVES

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

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

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

B1 REVENUE

B1-1 INSURANCE LEVIES

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

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

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

B1-2 OTHER INCOME

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

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

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

Other revenue of \$13k was received in 2020-21 as a distribution from the Liquidation Scheme of HIH (\$3k) and FAI (\$10k) (2020: \$71k).

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2021

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.

	2021	2020
	\$'000	\$'000
Management fees paid to the Society	42	41
Projects relating to risk management in the profession - grant to the Society	1,006	739
	1,048	780
Investment managers' fees	224	249
Sundry expenses	35	13
Total administration expenses	1,307	1,042

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 2020-21 are \$20,300 (2020: \$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 Queensland Law Society, under the Master Policy in accordance with the Indemnity Rules.

C1 CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits on call with financial institutions. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2021	2020
	\$'000	\$'000
Current assets:		
Cash at bank	21	2,622
Short term deposits	21,717	13,286
Total cash and cash equivalents	21,738	15,908

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2021

C1 CASH AND CASH EQUIVALENTS (continued)

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

	2021	2020
	\$'000	\$'000
Current assets:		
Cash at bank	21	2,622
Short term deposits	21,717	13,286
Total cash and cash equivalents	21,738	15,908

	2021	2020
	\$'000	\$'000
Operating result for the year	(1,588)	(954)
<i>Adjustments for:</i>		
Net investment income	(6,694)	314
Changes in assets and liabilities:		
(Increase)/decrease in receivables	1,429	(4,870)
Increase/(decrease) in payables	536	(10)
Increase/(decrease) in income in advance	6,147	(4,002)
Net cash (used in)/generated from operating activities	(170)	(9,522)

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.

	2021	2020
	\$'000	\$'000
Other receivables	60	457
Levies receivable from the Society	3,742	4,739
GST receivable	6	41
Total receivables	3,808	5,237

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.

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2021

	2021	2020
	\$'000	\$'000
Investment in collective investment schemes	57,684	56,990

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 2021 to 30 June 2022.

	2021	2020
	\$'000	\$'000
Levies received in advance for next financial year	25,139	18,992

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.

	2021	2020
	\$'000	\$'000
Amounts payable to the Society	540	4
Other payables and accruals	39	39
Total payables	579	43

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 2021

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.

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).

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2021

Currency sensitivity

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

D2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis – continued

Equity sensitivity

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

Property stress

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

Credit spread stress

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

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

	2021	2020
	\$'000	\$'000
Stress Test	Upward impact	
Interest rate	(182)	(96)
Inflation	(959)	(867)
Currency	(1,331)	(1,371)
	Downward impact	
Interest rate	140	69
Inflation	841	752
Currency	(15)	(214)
Stress Test	Impact	
Equity	(8,565)	(8,432)
Property	(756)	(846)
Credit spread	(2,028)	(1,830)

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

Law Claims Levy Fund

Notes to the financial statements for the year ended 30 June 2021

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 2021, 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 2021 (Finity – August 2021), the insurance in place with regard to the limits per file, and the overall Fund's aggregate limit as at 30 June 2021, 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 2021

E1 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 2020-21.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2020-21.

Accounting standards applied for the first time

No Australian accounting standards or interpretations that apply for the first time during 2020-21 had any impact on the Fund.

E2 TAXATION

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

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

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

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

Law Claims Levy Fund

Management Certificate for the year ended 30 June 2021

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 2021 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
Elizabeth Shearer

26/08/2021



Chief Executive Officer
Queensland Law Society
Rolf Moses

26/8/2021

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 2021, and its financial performance and cash flows for the year then ended
- b) complies with the Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2021, 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

27 August 2021
Queensland Audit Office
Brisbane

QLS SOLICITOR SUPPORT PTY LTD

Financial Report
For the year ended 30 June 2021

Table of contents

Directors' Report	Directors' Report	Page 164
Auditor's Declaration	Auditor's Independence Declaration	Page 166
Financial Statements	Statement of Comprehensive Income	Page 167
	Statement of Financial Position	Page 168
	Statement of Changes in Equity	Page 169
	Statement of Cash Flows	Page 170
Notes to the Financial Statements	A1. Basis of Financial Statement Preparation	Page 171
	A1-1 General Information	Page 171
	A1-2 Compliance with Prescribed Requirements	Page 171
	A1-3 Presentation	Page 171
	A1-4 Basis of Measurement	Page 171
	A2. QSS's Objectives	Page 171
	A3. Authorisation of Financial Statements for Issue	Page 171
	B1. Revenue	Page 172
	B2. Expenses	Page 172
	B2-1 Administration Expenses	Page 172
	B2-2 Employee Expenses	Page 172
	B2-3 Management Fees Paid to Queensland Law Society Incorporated	Page 172
	C1. Cash and Cash Equivalents	Page 173
	C2. Financial Instruments	Page 173
	C3. Receivables	Page 174
	C4. Payables	Page 174
	D1. Contingent Liabilities and Events after Balance Date	Page 174
	E1. Key Management Personnel (KMP) Disclosures	Page 175
	E2. Related Party Transactions	Page 175
	E3. Taxation	Page 176
	E4. First Year Application of New Accounting Standards or Change in Accounting Policy	Page 176
Certification	Directors' Declaration	Page 177
	Independent Auditor's Report	Page 178

QLS Solicitor Support Pty Ltd

Directors' Report for the year ended 30 June 2021

The directors present their report, together with the financial statements, on QLS Solicitor Support Pty Ltd (QSS) for the year ended 30 June 2021.

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

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 2020: \$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 2021 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 insurer 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

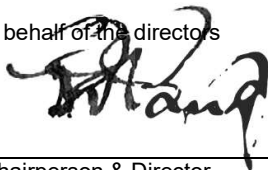
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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

26, 06 2021.

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 2021, 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.



26 August 2021

Lisa Fraser
as delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

QLS Solicitor Support Pty Ltd

Statement of Comprehensive Income for the year ended 30 June 2021

		2021	2020
	Note	\$	\$
Revenue			
Grant Funding	B1	1,431,728	1,263,627
Total revenue		1,431,728	1,263,627
Expenses			
Administration expenses	B2-1	52,253	34,930
Employee expenses	B2-2	611,281	671,169
Management Fees	B2-3	768,194	557,528
Total expenses		1,431,728	1,263,627
Profit before tax		-	-
Income tax		-	-
Profit after tax		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The accompanying notes form part of these statements.

QLS Solicitor Support Pty Ltd

Statement of Financial Position as at 30 June 2021

	NOTES	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	C1	2,014	49
Prepayments and other receivables	C3	27,023	28,877
Total current assets		29,037	28,926
Total assets		29,037	28,926
Current liabilities			
Payables	C4	28,917	28,806
Total current liabilities		28,917	28,806
Total liabilities		28,917	28,806
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 2021

	2021	2020
	\$	\$
Share Capital		
Balance at 1 July	120	-
Share capital issued	-	120
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 2021

		2021	2020
	NOTES	\$ Inflows/ (Outflows)	\$ Inflows/ (Outflows)
Cash flows from operating activities			
Grant funding		1,431,538	1,284,316
Administration, employee expenses and other payments		(1,429,573)	(1,284,387)
Net cash generated from/(used by) operating activities	C1	1,965	(71)
Cash flows from financing activities			
Share capital issued		-	120
Net cash from financing activities		-	120
Net increase in cash and cash equivalents held		1,965	49
Cash and cash equivalents at the beginning of the financial year		49	-
Cash and cash equivalents at the end of the financial year	C1	2,014	49

The accompanying notes form part of these statements.

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

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

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

A1-2 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, Australian Accounting Standards – Simplified Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board.

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.

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 2019-20 financial statements.

A1-4 BASIS OF MEASUREMENT

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

A2 QSS'S OBJECTIVES

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

A3 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by QSS's Chairperson at the date of signing the Directors' Declaration.

QLS Solicitor Support Pty Ltd

Notes to the Financial Statements for the year ended 30 June 2021

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.

	2021	2020
	\$	\$
Grant funding		
Grant funding	1,431,728	1,263,627
Total revenue	1,431,728	1,263,627

B2 EXPENSES

B2-1 ADMINISTRATION EXPENSES

	2021	2020
	\$	\$
Insurance	21,551	17,235
Professional and consulting fees	3,925	6,117
Travel and accommodation	19,988	3,535
Audit fees paid to Auditor-General for auditing services only	5,160	5,100
Other administration expenses	1,629	2,943
Total administration expenses	52,253	34,930

B2-2 EMPLOYEE EXPENSES

	2021	2020
	\$	\$
Wages and salaries	516,267	586,315
Employer superannuation contributions	49,005	55,699
Movement in annual and long service leave provision	12,823	3,954
Payroll tax	30,845	22,651
Workers compensation premiums	2,341	2,550
Total employee expenses	611,281	671,169

Accounting policy – wages and salaries

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

Accounting policy – superannuation

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

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**

	2021	2020
	\$	\$
Management fees	768,194	557,528
Total management fees paid to the Queensland Law Society	768,194	557,528

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

C1 CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash assets include all cash and cheques receipted and banked at 30 June as well as deposits on call with financial institutions.

	2021	2020
	\$	\$
Cash on hand	2,014	49
Total cash and cash equivalents	2,014	49

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

	2021	2020
	\$	\$
Operating result for the year	-	-
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	1,854	(28,877)
(Decrease)/increase in payables	111	28,806
Net cash generated from/(used by) operating activities	1,965	(71)

C2 FINANCIAL INSTRUMENTS**Recognition**

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

Classification

Financial instruments are classified as follows:

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

QSS does not hold any other financial instruments.

Liquidity risk

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

QSS manages its expected cash flow requirements against the budget.

C3 RECEIVABLES

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

	2021	2020
	\$	\$
Prepayments and other receivables	27,023	28,877
Total receivables	27,023	28,877

C4 PAYABLES

Trade creditors are recognised on receipt of goods or services and are carried at actual amounts, gross of applicable trade and other discounts. Amounts are unsecured and are generally settled on 30 day terms.

	2021	2020
	\$	\$
Funds received in advance and other payables	28,917	28,806
Total payables	28,917	28,806

D1 CONTINGENT LIABILITIES AND EVENTS AFTER BALANCE DATE

There were no known contingent liabilities at 30 June 2021 (2020: Nil). There are no events subsequent to reporting date requiring disclosure in the financial report.

E1 KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel and remuneration disclosures are made in accordance with the *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 2020-21. 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

KMP Remuneration Policy

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

The directors are not remunerated for their services to QSS.

E2 RELATED PARTY TRANSACTIONS

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

	2021 \$	2020 \$
Grant funding paid by parent entity to QSS	1,431,728	1,263,627
Management fees paid to Queensland Law Society	768,194	557,528

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 2020-21.

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 2020-21 had any impact on QSS.

QLS Solicitor Support Pty Ltd

Directors' Declaration for the year ended 30 June 2021

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 2021 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



Chairperson & Director
Stafford Shepherd

26 / 08 / 2021.

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 2021, 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 2021, 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as 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 2021, 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 company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.
- Conclude on the appropriateness of the company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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



Lisa Fraser
as delegate of the Auditor-General

27 August 2021
Queensland Audit Office
Brisbane

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Financial Report
For the year ended 30 June 2021

Table of contents

Financial Statements	Statement of Comprehensive Income	Page 183
	Statement of Financial Position	Page 184
	Statement of Changes in Equity	Page 185
	Statement of Cash Flows	Page 186
Notes to the Financial Statements	A1. Basis of Financial Statement Preparation	Page 187
	A1-1 General Information	Page 187
	A1-2 Compliance with Prescribed Requirements	Page 187
	A1-3 Presentation	Page 187
	A1-4 Basis of Measurement	Page 187
	A2. The Fund's Objectives	Page 188
	A3. Authorisation of Financial Statements for Issue	Page 188
	B1. Revenue	Page 189
	B1-1 Practitioner Levies	Page 189
	B1-2 Investment Income	Page 189
	B1-3 Gains/(Losses) on Investments	Page 189
	B2. Expenses	Page 190
	B2-1 Administration Expenses	Page 190
	B2-2 Management Fees Paid to the Queensland Law Society	Page 190
	C1. Cash and Cash Equivalents	Page 190
	C2. Receivables	Page 191
	C3. Investments	Page 191
	C4. Payables	Page 191
	C5. Income in Advance	Page 192
	C6. Provision for Notified Claims	Page 192
	D1. Critical Accounting Estimates and Judgements	Page 192
	D2. Financial Instruments and Financial Risk Management	Page 193
	D3. Contingent Liabilities and Events After Balance Date	Page 194
	E1. First Year Application of New Accounting Standards or Change in Accounting Policy	Page 194
	E2. Taxation	Page 195
Certification	Management Certificate	Page 196
	Independent Auditor's Report	Page 197

Legal Practitioners' Fidelity Guarantee Fund

Statement of Comprehensive Income for the year ended 30 June 2021

		2021	2020
	Notes	\$'000	\$'000
Revenue			
Practitioner levies	B1-1	636	308
Investment income	B1-2	1,438	1,119
Realised gains/(losses) on investments	B1-3	991	-
Fair value gains/(losses) on investments	B1-3	489	(1,344)
Total revenue		3,554	83
Expenses			
Administration expenses	B2-1	367	231
Notified claims (net of reversals)	C6	7,944	569
Investment fees		57	53
Management fees paid to the Queensland Law Society	B2-2	160	158
Total expenses		8,528	1,011
Operating result for the year		(4,974)	(928)
Other comprehensive income		-	-
Total comprehensive income for the year		(4,974)	(928)

The accompanying notes form part of these statements.

Legal Practitioners' Fidelity Guarantee Fund

Statement of Financial Position as at 30 June 2021

		2021	2020
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents	C1	5,387	375
Receivables	C2	64	59
Investments	C3	25,817	29,961
Total current assets		31,268	30,395
Total assets		31,268	30,395
Current liabilities			
Payables	C4	113	44
Income in advance	C5	305	287
Provision for notified claims	C6	6,046	286
Total current liabilities		6,464	617
Total liabilities		6,464	617
Net assets		24,804	29,778
Equity			
Accumulated surplus		24,804	29,778
Total equity		24,804	29,778

The accompanying notes form part of these statements.

Legal Practitioners' Fidelity Guarantee Fund

Statement of Changes in Equity for the year ended 30 June 2021

	2021	2020
	\$'000	\$'000
Accumulated surplus		
Balance at 1 July	29,778	30,706
Total comprehensive income for the year	(4,974)	(928)
Balance at 30 June	24,804	29,778

The accompanying notes form part of these statements.

Legal Practitioners' Fidelity Guarantee Fund
Statement of Cash Flows for the year ended 30 June 2021

		2021	2020
		\$'000	\$'000
	Notes	Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Contributions by practitioners and cost recoveries		653	261
Claim payments and administration expenses		(2,700)	(1,587)
Interest received		5	23
Net cash used in operating activities	C1	(2,042)	(1,303)
Cash flows from investing activities			
Proceeds from investments		7,054	943
Net cash generated from investing activities		7,054	943
Net increase/(decrease) in cash and cash equivalents held		5,012	(360)
Cash and cash equivalents at the beginning of the financial year		375	735
Cash and cash equivalents at the end of the financial year	C1	5,387	375

The accompanying notes form part of these statements.

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2021

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

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

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The Fund has prepared these financial statements in compliance with section 39 of the *Financial and Performance Management Standard 2019*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2020.

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 2019-20 financial statements.

Current/non-current classification

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

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

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

A1-4 BASIS OF MEASUREMENT

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

Historical cost

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

Fair value

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

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-4 BASIS OF MEASUREMENT (continued)

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

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

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

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

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

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

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

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

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

A2 THE FUND'S OBJECTIVES

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

A3 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

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

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2021

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.

	2021	2020
	\$'000	\$'000
Practitioner levies	320	305
Claim payment recoveries	316	3
Total practitioner levies	636	308

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.

	2021	2020
	\$'000	\$'000
Distributions from investments	1,431	1,097
Interest income	7	22
Total investment income	1,438	1,119

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.

	2021	2020
	\$'000	\$'000
Realised gains/(losses)	991	-
Unrealised gains/(losses)	489	(1,344)
Total gains/(losses) on investments	1,480	(1,344)

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2021

B2 EXPENSES

B2-1 ADMINISTRATION EXPENSES

	2021	2020
	\$'000	\$'000
Employee expenses	138	178
Audit fees	11	11
Legal fees	216	37
Sundry expenses	2	5
Total administration expenses	367	231

Total audit fees paid and payable to the Queensland Audit Office to perform the audit of the Fund's financial statements for 2020-21 are \$10,800 (2020: \$10,800). There are no non-audit services included in this amount.

B2-2 MANAGEMENT FEES PAID TO QUEENSLAND LAW SOCIETY INCORPORATED

	2021	2020
	\$'000	\$'000
Management fees paid to the Society	160	158
Total management fees paid to the Queensland Law Society	160	158

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.

	2021	2020
	\$'000	\$'000
Cash assets	10	11
Cash deposit account	5,377	364
Total cash and cash equivalents	5,387	375

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

	2021	2020
	\$'000	\$'000
Operating result for the year	(4,974)	(928)
<i>Adjustments for:</i>		
Net investment income	(1,919)	247
(Gain)/loss on disposal of investments	(991)	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(5)	(56)
Increase/(decrease) in payables	69	31
Increase/(decrease) in income in advance	18	8
increase/(decrease) in provision for notified claims	5,760	(605)
Net cash (used in) operating activities	(2,042)	(1,303)

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2021

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.

	2021 \$'000	2020 \$'000
Interest receivable	2	-
Practitioner levies receivable from the Society	62	59
Total receivables	64	59

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

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

	2021 \$'000	2020 \$'000
Investment in managed funds	25,817	29,961
Total investment in managed funds	25,817	29,961

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.

	2021 \$'000	2020 \$'000
Payable to the Society for annual leave entitlements	6	11
Payable to the Society for long service leave entitlements	5	4
Other payables and accruals	102	29
Total payables	113	44

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2021

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 2021 paid to the Fund by the Society for the financial year 1 July 2021 to 30 June 2022.

	2021	2020
	\$'000	\$'000
Fidelity Guarantee Fund levies for upcoming year	305	287
Total income in advance	305	287

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.

	2021	2020
	\$'000	\$'000
Opening notified claims	286	891
Add notified claims (net of reversals)	7,944	569
Less payment of notified claims	(2,184)	(1,174)
Total provision for notified claims	6,046	286

Recent 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 2021

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:

	2021 \$'000	2020 \$'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	4
Decrease in interest rate by 1%	(3)	(4)

	2021 \$'000	2020 \$'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%	1,291	1,498
Decrease in managed funds unit price by 5%	(1,291)	(1,498)

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 against the budget. These are monitored in conjunction with available cash and investments readily convertible to cash.

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

D3 CONTINGENT LIABILITIES AND EVENTS AFTER BALANCE DATE

There are three contingent liabilities at 30 June 2021 (30 June 2020: three). These three claims (same as FY20) have been received by the Fund (\$16.6m, \$0.4m and \$0.06m). Based on current claim assessments considering the validity of each of the claims, the Fund does not expect to incur a liability. However until the claims are rejected there remains some risk to the Fund.

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

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

Changes in accounting policy

The Fund did not voluntarily change any of its accounting policies during 2020-21.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2020-21.

Accounting standards applied for the first time

No Australian accounting standards or interpretations that apply for the first time during 2020-21 had any impact on the Fund.

Legal Practitioners' Fidelity Guarantee Fund

Notes to the Financial Statements for the year ended 30 June 2021

E2 TAXATION

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

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

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

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

Legal Practitioners' Fidelity Guarantee Fund

Management Certificate for the year ended 30 June 2021

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 2021 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
Elizabeth Shearer



Chief Executive Officer
Queensland Law Society
Rolf Moses

26/08/2021

26/08/2021

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 2021, and its financial performance and cash flows for the year then ended
- b) complies with the Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2021, 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

27 August 2021
Queensland Audit Office
Brisbane