

Legal Contribution Trust

Financial Report

For six months ended 30 June 2015

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Statement of Compliance

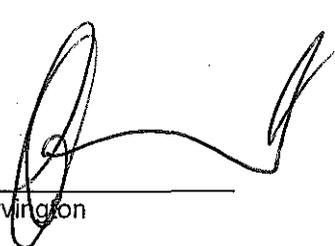
For six months ended 30 June 2015

HON MICHAEL MISCHIN MLC

ATTORNEY GENERAL; MINISTER FOR COMMERCE

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, The Annual Report of the Legal Contribution Trust for the financial period ended 30 June 2015.

The Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006* and section 390 of the *Legal Profession Act 2008*.



Laurie Shervington
Trustee

Date: 11/9/15

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Overview

Executive Summary

Performance Highlights

- During the financial year, \$1,072,545 was distributed to Legal Aid WA and further distributions of \$687,220 to other nominated beneficiaries by the Attorney General after consultation with the Law Society of Western Australia.
- From the surplus earned in the six months to 30 June 2015, there is \$522,450 to be distributed to Legal Aid WA. A further \$542,353 is available for distribution by the Attorney General after consultation with the Law Society of Western Australia.
- Lifting of the audit qualification for the 31 December 2014 accounts.
- Management in collaboration with the Legal Practice Board and financial institutions have implemented processes and controls for the collection and reporting of irregularities of interest on solicitors trust accounts to ensure completeness of the interest income from solicitors trust accounts.

Operational Structure

The Legal Contribution Trust is managed by Trustees appointed by the Governor and administered by the Law Society of Western Australia

The Trustees meet as required to consider any claims made against the Solicitors Guarantee Fund and to manage the financial and administration operations of the Legal Contribution Trust.

The Law Society of Western Australia performs the financial and administration operations of the Legal Contribution Trust. The Executive Director of the Society is appointed as the Accountable Officer for the Trust and the Society's Corporate Services Manager acts as the Chief Finance Officer.

Additionally, the Trustees in conjunction with the Legal Practice Board have appointed Trust Account Inspectors to conduct audits of solicitor's trust accounts. The inspectors also provide education for practitioners and their external auditors on their obligations in respect of the maintenance of trust accounts, compliance with the Legal Profession Act and the application of current accounting practices.

Enabling Legislation

The Legal Contribution Trust was established in Western Australia by the Legal Profession Act 2008.

Responsible Minister

The Hon. Michael Mischin, MLC, Attorney General; Minister for Commerce

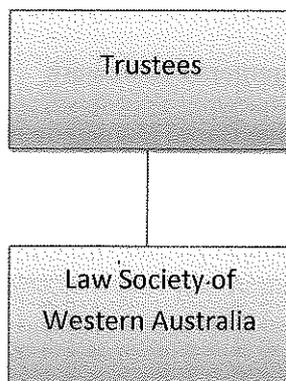
Organisational Structure

Trust Objectives

The Legal Profession Act (2008), Section 399(1) states the functions of the Trust to be:

- (a) to receive and invest money paid to it under this or any other Act;
- (b) to apply money resulting from investments in the manner and for the purposes provided by this Part;
- (c) to administer and control the Guarantee Fund;
- (d) to exercise and discharge the functions conferred or imposed on it by this or any other Act.

Organisational Chart



Trustees

The Trustees holding office during the year under review were:

Mr L J Shervington (Chairman)
Solicitor
(appointed by Law Society of Western Australia)

The Hon R I Viner AO QC
Barrister
(appointed by Legal Practice Board)

Ms C Ferrari
(appointed by the Attorney General)

Administered Legislation

The Trustees assist the Attorney General in administration of section 399(1) of the Legal Profession Act 2008.

Other Key Legislation Impacting on the Legal Contribution Trust's Activities

In the performance of its functions, the Legal Practice Board complies with the following relevant written laws:

- Auditor General Act 2006;
- Financial Management Act 2006;
- Legal Profession Regulations 2009

Performance Management Framework

Outcome Based Management Framework

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

The Act directs that the operating profit be applied to the Solicitors Guarantee Fund until the Fund reaches its maximum balance (of \$19,100,000) set by the Attorney General. Of additional profits, 50% is applied to the Legal Aid Commission and the remaining 50% to the Law Society of Western Australia, community legal centres and other bodies in such sums as is agreed between the Minister and the Society from time to time.

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

Changes to Outcome Based Management Framework

The Legal Contribution Trust's Outcome Based Management Framework did not change during 2014-2015.

Shared Responsibilities

The Legal Contribution Trust did not share any responsibilities with other agencies in 2014-2015.

Agency Performance

Report on Operations

The profit for the financial year to 30 June 2015 was \$1,713,911.

Major income items were:

	<u>30 Jun 15</u>	<u>30 Jun 14</u>
	\$	\$
Interest earned on Solicitors Trust Accounts	1,986,241	2,502,001
Interest earned on investments	676,912	692,343
Other income	53,055	87,162
Total income	<u>2,716,208</u>	<u>3,281,506</u>

Interest on solicitor's trust money has decreased as all settlements on unremitted interest have been received from financial institutions.

Interest from investments has decreased due to lower term deposit rates in the current period.

Major expense items were:

Administration, legal & consulting fees	212,929	212,374
Trust Account Inspectors costs	672,641	636,556
Claims, supervising solicitors & associated legal fees	66,968	213,810
Other	49,759	63,022
Total expenses	<u>1,002,297</u>	<u>1,125,762</u>

Total expenses decreased by \$123,464 (11%). The major variation is the decrease in claims, supervising solicitors and associated legal fees of \$146,842. There were no claims paid, however, claims totaling \$5,561 was approved for payment in the financial year to 30 June 2015. Trust Account Inspectors costs increased by \$36,085 and other expenses were slightly higher.

There are approximately \$5.6 million in unresolved claims under consideration.

Solicitors Guarantee Fund

The maximum balance of the Solicitors Guarantee Fund was set by the Attorney General at \$19,100,000 in June 2008. Any future increases will be at the discretion of the Attorney General in consultation with the Law Society of Western Australia.

Key performance indicators

The key performance indicators for the Trust are detailed in page 27 of the financial report.

Significant Issues Impacting the Agency

Current and emerging issues and trends

The Solicitors Guarantee Fund was established to compensate clients of solicitors who suffer pecuniary loss through the professional defalcation of their trust money. Any significant settlements will impact the surplus available for distribution to Legal Aid and other potential distributions in the furtherance of community legal centres, law reform, legal research and legal education.

The Trust's major source of income is a 51% share of the total interest paid by financial institutions on solicitor's general trust accounts. The Trust also earns approximately 20-30% of its income from the investment of funds held in the Solicitors Guarantee Fund. These sources of income have been affected by declining interest rates on deposits.

Changes in written law

There were no changes in any written law that affected the Authority during the financial year.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

LEGAL CONTRIBUTION TRUST

Report on the Financial Statements

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

The financial statements comprise the Statement of Financial Position as at 30 June 2015, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the six months then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Trust's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Legal Contribution Trust at 30 June 2015 and its financial performance and cash flows for the six months then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Legal Contribution Trust during the year ended 30 June 2015.

Controls exercised by the Legal Contribution Trust are those policies and procedures established by the Trust to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Trust's Responsibility for Controls

The Trust is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Trust complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Opinion

In my opinion, the controls exercised by the Legal Contribution Trust are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2015.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Legal Contribution Trust for the year ended 30 June 2015.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Trust's Responsibility for the Key Performance Indicators

The Trust is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Trust determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Trust's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Opinion

In my opinion, the key performance indicators of the Legal Contribution Trust are relevant and appropriate to assist users to assess the Trust's performance and fairly represent indicated performance for the six months ended 30 June 2015.

Independence

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

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Legal Contribution Trust for the year ended 30 June 2015 included on the Trust's website. The Trust's management is responsible for the integrity of the Trust's website. This audit does not provide assurance on the integrity of the Trust's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



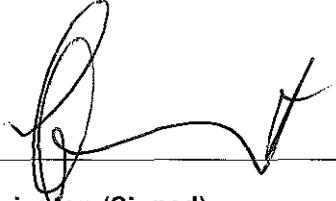
DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
14 September 2015

Certification of Financial Statements

for the six months ended 30 June 2015

The accompanying financial statements of the Legal Contribution Trust have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the six months ended 30 June 2015 and the financial position as at 30 June 2015.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Laurie Shervington (Signed)
Trustee

11/9/15

Date



Catherine Ferrari (Signed)
Trustee

11/9/15

Date



Leanne Follows (Signed)
Chief Financial Officer

11/9/15

Date

Legal Contribution Trust
Statement of Financial Position
as at 30 June 2015

	<u>Notes</u>	<u>30 Jun 15</u> \$	<u>31 Dec 14</u> \$
Assets			
Current assets			
Cash and cash equivalents	8	8,662,426	941,113
Other financial assets	8	11,155,426	19,023,987
Prepayment		3,024	3,024
Receivables	5	708,810	370,367
Total current assets		<u>20,529,686</u>	<u>20,338,491</u>
Total assets		<u>20,529,686</u>	<u>20,338,491</u>
Liabilities			
Current liabilities			
Payables	6	243,083	160,484
Total payable to beneficiaries	4	1,186,603	1,078,007
Total current liabilities		<u>1,429,686</u>	<u>1,238,491</u>
Total liabilities		<u>1,429,686</u>	<u>1,238,491</u>
Net assets		<u>19,100,000</u>	<u>19,100,000</u>
Equity			
Retained earnings	4	19,100,000	19,100,000
Total equity		<u>19,100,000</u>	<u>19,100,000</u>

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

Legal Contribution Trust
Statement of Changes in Equity
as at 30 June 2015

	Retained Earnings	Total
	\$	\$
Balance as at 30 June 2014	19,100,000	19,100,000
Profit for the period	919,010	919,010
Total comprehensive income for the period	919,010	919,010
Surplus appropriated to beneficiaries	(919,010)	(919,010)
Balance as at 31 December 2014	19,100,000	19,100,000
Profit for the period	794,901	794,901
Total comprehensive income for the period	794,901	794,901
Surplus appropriated to beneficiaries	(794,901)	(794,901)
Balance as at 30 June 2015	19,100,000	19,100,000

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

Legal Contribution Trust
Statement of Comprehensive Income
for the six months ended 30 June 2015

	<u>Notes</u>	<u>30 Jun 15</u> \$	<u>31 Dec 14</u> \$
Income			
Interest earned on Solicitors Trust Accounts		921,265	1,064,976
Contributions by legal practitioners		31,400	3,680
<i>- pursuant to Section 337 and 338 of the Legal Profession Act (2008)</i>			
Sundry income		7,023	10,952
Interest earned on investments		357,340	319,572
Total income		1,317,028	1,399,180
Expenses			
Administration expenses		71,756	71,766
Insurance		-	7,338
Legal fees		55,052	39,733
Accounting & auditing fees		8,770	25,000
Practice supervision		37,287	-
Claims & supervising solicitors		5,561	4,410
Trust account inspector service		340,718	331,923
Sundry expenses		2,983	-
Total expenses		522,127	480,170
Profit for the period	4	794,901	919,010
Total comprehensive income for the period		794,901	919,010

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

Legal Contribution Trust
Statement of Cash Flows
for the six months ended 30 June 2015

	<u>Notes</u>	<u>30 Jun 15</u> \$	<u>31 Dec 14</u> \$
Cash flows from operating activities			
Interest Received		973,162	1,434,467
Contributions by Legal Practitioners		3,680	36,480
Other Receipts		55,857	89,784
Payments to Suppliers		(493,642)	(432,652)
Net cash provided by operating activities	8	<u>539,057</u>	<u>1,128,079</u>
Cash flows from investing activities			
Payments for plant, property & equipment		-	-
Net cash used in investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Distribution of surpluses to beneficiaries	4	(686,305)	(1,278,360)
Net cash used in financing activities		<u>(686,305)</u>	<u>(1,278,360)</u>
Net increase/(decrease) in cash & cash equivalents		(147,248)	(150,281)
Cash & cash equivalents at the beginning of the period		19,965,100	20,115,381
Cash & cash equivalents at the end of the period	8	<u>19,817,852</u>	<u>19,965,100</u>

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

Notes to the Financial Statements

for the six months ended 30 June 2015

Note 1. Australian Accounting Standards

General

The Legal Contribution Trust's financial statements for the six months ended 30 June 2015 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Legal Contribution Trust has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Legal Contribution Trust cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Trust for the period ended 30 June 2015.

Note 2. Summary of significant accounting policies

(a) General statement

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

The Trust prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions.

The *Financial Management Act* and the Treasurer's instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

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

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

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

The financial statements are presented in Australian dollars.

The financial report has been prepared on a going concern basis which assumes that the Trust will be able to generate sufficient positive cash flows to meet its financial obligations and realise its assets and extinguish its liabilities in the normal course of business.

(c) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Contributions from practitioners

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

Interest on Solicitor's Trust Accounts

Revenue is recognised as the interest accrues.

Interest on investment

All interest income derived from investments held in the Solicitors Guarantee Fund is recognised as income of the Legal Contribution Trust. Revenue is recognised as the interest accrues.

(d) Financial instruments

In addition to cash, the Legal Contribution Trust has three categories of financial instruments:

- Receivables; and
- Held-to-maturity investments (commercial bills and term deposits); and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
 - Cash and cash equivalents
 - Receivables
 - Term deposits
- Financial Liabilities
 - Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(e) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(f) Receivables

Receivables are recognised at the original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Legal

Contribution Trust will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(g) Investments and other financial assets

The Legal Contribution Trust classifies its investments into the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. The Trustees determines the classification of its investments at initial recognition and re-evaluates this designation at the end of each reporting. Investments not at fair value are initially recognised at cost being the fair value of consideration given, including directly attributable transaction costs.

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held-to-maturity when management has a positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Loans and receivables and held-to-maturity investments, such as commercial bills, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired as well as through the amortisation process.

The Trustees assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(h) Payables

Payables are recognised at the amounts payable when the Legal Contribution Trust becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

(i) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

(j) Contingent assets

Contingent asset comprises possible liabilities related to lawsuits, disputes etc.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. A contingent asset is not recognised in the financial report since this may result in the recognition of income that may never be realised. The Trust does not recognise a contingent asset but discloses its existence in the financial statements.

(k) Contingent liabilities

Contingent liabilities comprises possible liabilities related to lawsuits, disputes etc.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Trust. It can also be a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Trust does not recognise a contingent liability but discloses its existence in the financial statements.

Note 2. Critical accounting judgement and key sources of estimation uncertainty

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

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

Note 3. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Legal Contribution Trust has applied all new Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2014 and no significant impact is noted.

Future impact of Australian Accounting Standards not yet operative

The Legal Contribution Trust cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements. Consequently, the Trust has not applied early any of the following Australian Accounting Standards that may impact the Trust. Where applicable, the Trust plans to apply these Australian Accounting Standards from their application date.

Standard/Interpretation	Operative for reporting periods beginning on/after
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018
AASB 2010-7 Amendments to Australia Accounting Standards arising from AASB 9	1 January 2018
AASB 2014-1 Amendments to Australian Accounting Standards [Part E – Financial Instruments]	1 January 2015
AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015
AASB 2015-6 Amendments to Australia Accounting Standards – Extending Related Party Disclosures to Non-for-profit Public Sector Entities	1 July 2016

At the date of authorisation of the financial statements, there are no pronouncements approved IASB and IFRIC that have yet to be issued by the AASB.

Note 4. Operating profit

Profit available for appropriation

The profit for the six months period ended 30 June 2015 was \$794,901.

	30 Jun 15	31 Dec 14
	\$	\$
Retained earnings		
Opening balance	19,100,000	19,100,000
Profit for the period	794,901	919,010
Amounts distributed to beneficiaries as defined by the Legal Professional Act 2008	(794,901)	(919,010)
Closing balance	19,100,000	19,100,000

Total profits appropriated in both the current and prior periods but not yet paid as at 30 June 2015 amounted to \$1,186,603 (31 December 2014: \$1,078,007) This amount is disclosed as a current liability as profits are recognised as having been appropriated in the period in which the obligation to distribute profits arises under the Legal Profession Act 2008 (part 12 Fidelity Cover).

Total payable to beneficiaries

	30 Jun 15	31 Dec 14
	\$	\$
Opening balance	1,078,007	1,437,359
Paid to beneficiaries during the period	(686,305)	(1,278,360)
Surplus appropriated to beneficiaries	794,901	919,008
Closing balance	1,186,603	1,078,007

Note 5. Receivables

Goods & services tax	25,483	16,275
Interest receivable - banks	644,904	339,460
Sundry debtors	38,423	14,632
Total	708,810	370,367

Note 6. Payables

Creditors	160,498	139,383
Accrued expenses	82,584	21,100
Total	243,083	160,483

Note 7. Provision for claims

Claims approved for payment by Trustees but not yet paid at period end:

30 Jun 15		31 Dec 14	
No. of claims	Value \$	No. of claims	Value \$
1	5,561	-	-

Note 8. Notes to the statement of cash flows

Reconciliation of cash

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	<u>30 Jun 15</u>	<u>31 Dec 14</u>
	\$	\$
Cash & deposits at call	543,865	541,113
Bank accepted bills & term deposits	19,273,987	19,423,987
	<u>19,817,852</u>	<u>19,965,100</u>
Represented by:		
Cash and cash equivalents	8,662,426	941,113
Other financial assets (short term bank bills 90 days or more)	11,155,426	19,023,987
	<u>19,817,852</u>	<u>19,965,100</u>

Reconciliation of profit for the period to net cash flows from operating activities

Profit for the period	794,901	919,010
Decrease/(increase) in assets:		
Receivables	(338,443)	115,257
Increase/(decrease) in liabilities:		
Current liabilities	82,599	93,812
Net cash provided by operating activities	<u>539,057</u>	<u>1,128,079</u>

Note 9. Related parties disclosures

During the current financial period, the Legal Contribution Trust made a distribution of \$101,800 (31 December 14: \$103,100) to the Law Society of Western Australia in accordance with section 388 subsection 4(c) of the Legal Profession Act 2008. Administration fees were also paid to the Law Society of Western Australia in the current financial period on normal commercial terms and conditions amounting to \$71,476 (31 December 2014: \$71,476).

Note 10. Commitments

There are no capital or other commitments (31 December 2014: \$Nil).

Note 11. Contingent liabilities

The SGF was established to provide a source of compensation for defaults by law practices arising from or constituted by acts or omissions of associates. At any point in time there can be numerous claims under investigation. Each claim is investigated by external legal counsel and recommendations are made to the Trustees for the appropriate outcome of each claim. There is uncertainty surrounding each claim until they are fully investigated and a final recommendation is made to the Trustees by the

external legal counsel. Until such determination is made the Trust does not recognise any liability with respect to the claims under investigation. At 30 June 2015 there are \$5,695,360 claims being investigated (31 December 2014: \$5,850,500).

Note 12. Explanatory statement

Comparison of actual results with those of the preceding six months.

Variations between actual revenue and those of the preceding period greater than \$39,745 or 5% are considered significant.

	<u>30 Jun 15</u> \$	<u>31 Dec 14</u> \$	<u>Increase/ (decrease)</u>	<u>%</u>
Income				
Interest earned on Solicitors Trust Accounts	921,265	1,064,976	(143,711)	-13%
Interest earned on investments	357,340	319,572	37,768	12%

Interest earned on Solicitors Trust Accounts has decreased during the six month period due to slightly lower interest rates and account balances.

Note 13. Financial Instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Legal Contribution Trust are cash and cash equivalents, loans and receivables, held-to-maturity investments and payables. The Trust does not enter into or trade financial instruments including derivative financial instruments for speculative purposes. The Trust has limited exposure to financial risks. The Trust's overall risk management program focuses on managing the risks

Credit Risk

Credit risk arises when there is the possibility of the Legal Contribution Trust's receivables defaulting on their contractual obligations resulting in financial loss to the Trust.

The Trust measures credit risk on a fair value basis and monitors risk on a regular basis. The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment, as shown in the table below.

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

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

Liquidity Risk

Liquidity risk arises when the Trust is unable to meet its financial obligations as they fall due. The Trust is exposed to liquidity risk through its trading in the normal course of business.

The Trust's objective is to maintain a balance between continuity of funding and flexibility through the use of its significant cash and cash equivalents. The Trust has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments. Investments are entered into giving consideration to the appropriate investment terms in order to meet the Trust's liquidity requirements.

Trade Payable and Accrued Expenses relate to amounts to be paid in the future for goods and services received, whether or not invoiced to the Trust. Payables are normally settled within 30 days

from the date of the invoice and no interest is incurred on these accounts. No interest is incurred on the surpluses payable to the beneficiaries. Beneficiaries are paid as and when instructed by the Attorney General.

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Trust's income or the value of its holdings of financial instruments. The Trust does not trade in foreign currency and is not materially exposed to other price risks. The Trust's exposure to market risk for changes in interest rates relate primarily to the investments held in term deposits.

The Trust has no borrowings. Other than as detailed in the interest rate sensitivity analysis table below, the Trust has limited exposure to interest rate risk. The risk is managed by SGF through portfolio diversification and variation in maturity dates.

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	30 Jun 15	31 Dec 14
	\$	\$
Financial assets		
Cash and cash equivalents	8,662,426	941,113
Receivables ^(a)	683,327	354,092
Other financial assets	11,155,426	19,023,987
Financial liabilities		
Payables ^(b)	243,083	160,483

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

(b) The amount of payables excludes GST owed to the ATO (statutory payable).

(c) Financial instrument disclosures

Credit Risk

The following table discloses the Legal Contribution Trust's maximum exposure to credit risk and the ageing analysis of financial assets. The Trust's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets.

The Trust does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

Ageing analysis of financial assets

	Carrying Amount \$	Not past due and not impaired \$	Past due but not impaired					Impaired financial assets \$
			Up to 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	More than 5 years \$	
30 Jun 15								
Cash and cash equivalents	8,662,426	8,662,426	-	-	-	-	-	-
Receivables ^(a)	683,327	683,327	-	-	-	-	-	-
Other financial assets	11,155,426	11,155,426	-	-	-	-	-	-
	20,501,179	20,501,179	-	-	-	-	-	-
31 Dec 14								
Cash and cash equivalents	941,113	941,113	-	-	-	-	-	-
Receivables ^(a)	354,092	354,092	-	-	-	-	-	-
Other financial assets	19,023,987	19,023,987	-	-	-	-	-	-
	20,319,192	20,319,192	-	-	-	-	-	-

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

(b) The amount of payables excludes GST owed to the ATO (statutory payable).

Liquidity risk and interest rate exposure

The following table details the Legal Contribution Trust's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted average effective interest rate %	Carrying amount \$	Interest rate exposure			Maturity dates					
			Variable interest rate \$	Non-interest bearing \$	Nominal amount \$	Up to 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	More than 5 years \$	
30 Jun 15											
<u>Financial assets</u>											
Cash and cash equivalents	1.95	8,662,426	-	8,662,426	-	8,662,426	3,365,402	5,297,024	-	-	-
Receivables ^(a)	-	683,327	-	-	683,327	683,327	278,784	167,022	237,521	-	-
Other financial assets	3.52	11,155,426	-	11,155,426	-	11,155,426	-	-	11,155,426	-	-
		20,501,179	-	19,817,852	683,327	20,501,179	3,644,186	5,464,046	11,392,947	-	-
<u>Financial liabilities</u>											
Payables	-	243,083	-	-	243,083	243,083	-	-	-	-	-
		243,083	-	-	243,083	243,083	-	-	-	-	-
31 Dec 14											
<u>Financial Assets</u>											
Cash and cash equivalents	2.77	941,113	-	941,113	-	941,113	541,113	400,000	-	-	-
Receivables ^(a)	-	354,092	-	-	354,092	354,092	194,365	1,751	157,976	-	-
Other financial assets	3.65	19,023,987	-	19,023,987	-	19,023,987	-	-	19,023,987	-	-
		20,319,192	-	19,965,100	354,092	20,319,192	735,478	401,751	19,181,963	-	-
<u>Financial Liabilities</u>											
Payables	-	160,483	-	-	160,483	160,483	-	-	-	-	-
		160,483	-	-	160,483	160,483	-	-	-	-	-

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

(b) The amount of payables excludes GST owed to the ATO (statutory payable).

Interest rate sensitivity analysis

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

	Carrying amount \$	-100 basis points		+100 basis points	
		Profit \$	Equity \$	Profit \$	Equity \$
30 Jun 15					
<u>Financial Assets</u>					
Cash and cash equivalent	8,662,426	(86,624)	(86,624)	86,624	86,624
Other financial assets	11,155,426	(111,554)	(111,554)	111,554	111,554
<u>Financial Liabilities</u>					
	-	-	-	-	-
Total Increase/(Decrease)		(198,178)	(198,178)	198,178	198,178

	Carrying amount \$	-100 basis points		+100 basis points	
		Profit \$	Equity \$	Profit \$	Equity \$
31 Dec 14					
<u>Financial Assets</u>					
Cash and cash equivalent	941,113	(9,411)	(9,411)	9,411	9,411
Other financial assets	19,023,987	(190,240)	(190,240)	190,240	190,240
<u>Financial Liabilities</u>					
	-	-	-	-	-
Total Increase/(Decrease)		(199,651)	(199,651)	199,651	199,651

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

Note 14. Remuneration for Auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	30 Jun 15	31 Dec 14
	\$	\$
Audit fees for the period to the Office of the Auditor General	<u>25,100</u>	<u>25,000</u>

Note 15. Solicitors Guarantee Fund

The Solicitors Guarantee Fund (SGF) is created under Part 12 of the Legal Profession Act 2008 (the Act). The value of the Solicitors Guarantee Fund forms part of the assets and liabilities of the Legal Contribution Trust and are disclosed in the statement of financial position, statement of comprehensive income and the accompanying notes.

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

The Solicitors Guarantee Fund contribution to the overall operating profit was \$336,028 being interest earned on investments net of claims.

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

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

The current balance appropriated to external beneficiaries but not yet paid is \$1,186,603 (31 December 2014: \$1,078,009).

Note 16. Solicitors Guarantee Fund – supplementary statement

The statement of financial position and statement of comprehensive income of the Solicitors Guarantee Fund are presented as a supplement to the financial statements of the Trust as disclosed on note 18 and 19.

The financial information in the attached supplements form part of the balance included in the Legal Contribution Trust financial statements for 30 June 2015.

Note 17. Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect, the operations of the Trust, the results of those operations, or the state of affairs of the Trust in the future financial periods.

Note 18. Solicitors Guarantee Fund – Statement of Financial Position as at 30 June 2015

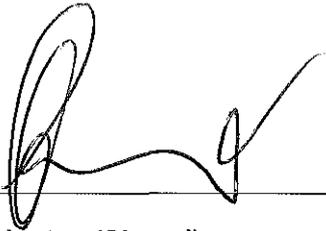
	<u>Notes</u>	<u>30 Jun 15</u> \$	<u>31 Dec 14</u> \$
Assets			
Current assets			
Cash & cash equivalents		192,018	228,075
Other financial assets		19,023,986	19,023,986
Receivables		539,544	161,897
Total current assets		<u>19,755,548</u>	<u>19,413,958</u>
Total assets		<u>19,755,548</u>	<u>19,413,958</u>
Liabilities			
Current liabilities			
Legal Contribution Trust - appropriation payable		649,987	313,958
Claims payable		5,561	-
Total current liabilities		<u>655,548</u>	<u>313,958</u>
Total liabilities		<u>655,548</u>	<u>313,958</u>
Net assets		<u>19,100,000</u>	<u>19,100,000</u>
Equity			
Retained earnings		19,100,000	19,100,000
Total equity		<u>19,100,000</u>	<u>19,100,000</u>

Note 19. Solicitors Guarantee Fund – Statement of Comprehensive Income for the six months ended 30 June 2015

	<u>Notes</u>	<u>30 Jun 15</u> \$	<u>31 Dec 14</u> \$
Income			
Contributions by legal practitioners			
- pursuant to Section 337 and 338 of the Legal Profession Act (2008)		31,400	3,680
Appropriation from Legal Contribution Trust		-	-
Interest on investments		347,507	314,823
Sundry income		-	-
Total income		<u>378,907</u>	<u>318,503</u>
Expenses			
Appropriation to Legal Contribution Trust		336,028	313,958
General administration		31	135
Claims		5,561	4,410
Supervising solicitors		37,287	-
Total expenses		<u>378,907</u>	<u>318,503</u>
Profit for the period		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>-</u>	<u>-</u>

Certification of Key Performance Indicators

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Legal Contribution Trust's performance, and fairly represent the performance of the Legal Contribution Trust for the six months ended 30 June 2015.



Laurie Shervington (Signed)
Trustee

11/9/15

Date



Catherine Ferrari (Signed)
Trustee

11/9/15

Date



Leanne Follows (Signed)
Chief Financial Officer

11/9/15

Date

Key performance indicators

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

The Act directs that the operating profit be applied to the Solicitors Guarantee Fund until the Fund reaches its maximum balance (of \$19,100,000) set by the Attorney General. Of additional profits, 50% is applied to the Legal Aid Commission and the remaining 50% to the Law Society of Western Australia, community legal centres and other bodies in such sums as is agreed between the Minister and the Society from time to time.

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

Indicators

Effectiveness

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

For period ended	LCT profit retained in SGF or distributed to beneficiaries \$	Percentage of Operating Profit appropriated to SGF	Total SGF Funds \$
31 Dec 13	1,431,837	0%	19,100,000
30 Jun 14	726,080	0%	19,100,000
31 Dec 14	919,010	0%	19,100,000
30 Jun 15	794,901	0%	19,100,000

Efficiency

Operating profit distributed to beneficiaries

The following table shows the percentage of gross revenue of the Legal Contribution Trust appropriated to the beneficiaries named in the Act as the designated beneficiaries.

The greater the percentage of gross revenue available for appropriation the greater the efficiency.

For period ended	Gross revenue \$	Expenses \$	Operating Profit \$	Percentage of Gross Revenue available for retention or appropriation to nominated beneficiaries
31 Dec 13	2,015,376	583,539	1,431,837	71%
30 Jun 14	1,266,130	540,050	726,080	57%
31 Dec 14	1,399,180	480,170	919,010	66%
30 Jun 15	1,317,028	522,127	794,901	60%