

# **Legal Contribution Trust**

**Financial Statements  
For six months ended 31 December 2018**

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# Auditor General

## INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### LEGAL CONTRIBUTION TRUST

#### Report on the Financial Statements

##### ***Opinion***

I have audited the financial statements of the Legal Contribution Trust which comprise the Statement of Financial Position as at 31 December 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the six months then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Legal Contribution Trust for the six months ended 31 December 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

##### ***Basis for Opinion***

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Trust in accordance with the *Auditor General Act 2006* and the relevant 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 statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### ***Responsibility of the Trust 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, the *Financial Management Act 2006* 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.

In preparing the financial statements, the Trust is responsible for assessing the agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Trust.

##### ***Auditor's Responsibility for the Audit of the Financial Statements***

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trust.
- Conclude on the appropriateness of the Trust'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 agency'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 statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance 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.

## **Report on Controls**

### ***Opinion***

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Legal Contribution Trust. The controls exercised by the 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 (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, 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 six months ended 31 December 2018.

### ***The Trust's Responsibilities***

The Trust is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

### **Auditor General's Responsibilities**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

### ***Limitations of Controls***

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

### **Report on the Key Performance Indicators**

#### ***Opinion***

I have undertaken a reasonable assurance engagement on the key performance indicators of the Legal Contribution Trust for the six months ended 31 December 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Legal Contribution Trust are relevant and appropriate to assist users to assess the Trust's performance and fairly represent indicated performance for the six months ended 31 December 2018.

#### ***The 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 internal control as the Trust determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Trust is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

### **Auditor General's Responsibility**

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

### **My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators**

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory 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 six months ended 31 December 2018 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.



JORDAN LANGFORD-SMITH

ACTING ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT

Delegate of the Auditor General for Western Australia

Perth, Western Australia

20 March 2019

# **Legal Contribution Trust**

## **Financial Statements**

### **Certification of Financial Statements**

**For the six months ended 31 December 2018**

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 31 December 2018 and the financial position as at 31 December 2018.

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

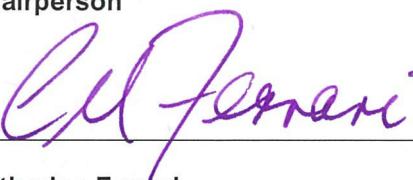


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Michael Ferguson  
Chairperson

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19/3/19  
Date



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Catherine Ferrari  
Trustee

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19/3/19  
Date



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Sim Choong Lim  
Chief Finance Officer

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19/3/19  
Date

# Legal Contribution Trust

## Statement of Comprehensive Income

For the six months ended 31 December 2018

	<u>Notes</u>	For the Six Months Ended 31 Dec 18	For the Six Months Ended 30 Jun 18
<b>Income</b>			
Interest earned on solicitors' trust accounts		1,136,035	921,335
Interest on investments		157,161	149,776
Contributions by legal practitioners		2,360	35,620
<b>Total income</b>		<b>1,295,556</b>	<b>1,106,731</b>
<b>Expenses</b>			
Administration expenses		74,400	78,792
Audit fees - Auditor General		26,700	26,500
Legal fees		59,652	98,191
Supervising solicitors		211,453	228,083
Trust account inspector service		425,203	343,478
<b>Total expenses</b>		<b>797,408</b>	<b>775,044</b>
<b>Surplus for the period</b>		<b>498,148</b>	<b>331,687</b>
<b>Total comprehensive income for the period</b>		<b>498,148</b>	<b>331,687</b>

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

# Legal Contribution Trust

## Statement of Financial Position

As at 31 December 2018

	<u>Notes</u>	<u>31 Dec 18</u> \$	<u>30 Jun 18</u> \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3.1	14,973,311	14,394,167
Prepayment		41,076	2,405
Receivables	2.1	375,991	293,406
<b>Total current assets</b>		<b>15,390,378</b>	<b>14,689,978</b>
<b>Total assets</b>		<b>15,390,378</b>	<b>14,689,978</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	2.2	142,557	127,561
Provision	2.3	187,256	-
<b>Total current liabilities</b>		<b>329,813</b>	<b>127,561</b>
<b>Total liabilities</b>		<b>329,813</b>	<b>127,561</b>
<b>Net assets</b>		<b>15,060,565</b>	<b>14,562,417</b>
<b>Equity</b>			
Accumulated surplus		15,060,565	14,562,417
<b>Total equity</b>		<b>15,060,565</b>	<b>14,562,417</b>

Position should be read in conjunction with the accompanying notes.

## **Legal Contribution Trust**

### **Statement of Changes in Equity**

**For the six months ended 31 December 2018**

	<u>Notes</u>	<b>Accumulated surplus</b> <b>\$</b>	<b>Total equity</b> <b>\$</b>
<b>Balance at 31 December 2017</b>		<b>14,230,730</b>	<b>14,230,730</b>
Surplus for the period		331,687	331,687
Total comprehensive income for the period		331,687	331,687
<b>Balance at 30 June 2018</b>		<b>14,562,417</b>	<b>14,562,417</b>
Surplus for the period		498,148	498,148
Total comprehensive income for the period		498,148	498,148
<b>Balance at 31 December 2018</b>		<b>15,060,565</b>	<b>15,060,565</b>

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

# **Legal Contribution Trust**

## **Statement of Cash Flows**

**For the six months ended 31 December 2018**

	<b>Notes</b>	<b>31 Dec 18</b>	<b>30 Jun 18</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Interest received		1,209,236	1,086,379
Contributions by legal practitioners		7,560	30,360
Other receipts		59,432	74,222
Payments to suppliers		(697,084)	(830,504)
Claims expense		-	-
<b>Net cash generated by operating activities</b>	<b>3.1</b>	<b><u>579,144</u></b>	<b><u>360,457</u></b>
Net increase in cash & cash equivalents		579,144	360,457
Cash & cash equivalents at the beginning of the period		14,394,167	14,033,710
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>3.1</b>	<b><u>14,973,311</u></b>	<b><u>14,394,167</u></b>

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

# **Legal Contribution Trust**

## **Notes to the Financial Statements**

### **1. Basis of preparation**

The Legal Contribution Trust is a body established under the Legal Profession Act 2008.

These financial statements were authorised for issue by the Accountable Authority of the Legal Contribution Trust on 19 March 2019.

### **Statement of compliance**

These general purpose financial statements are prepared in accordance with:

- 1) The Financial Management Act 2006 (FMA)
- 2) The Treasurer's Instructions (the instructions or TI)
- 3) Australian Accounting Standards (AAS) including applicable interpretations
- 4) Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied

The Financial Management Act 2006 and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect are disclosed in the notes to the financial statements.

### **Basis of preparation**

The financial statements are presented in Australian dollars apply the accrual basis of accounting and using the historical cost convention.

### **Judgements and estimates**

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

### **Revenue**

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

### **Financial instruments**

Financial assets and financial liabilities are recognised when the Legal Contribution Trust becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## **Legal Contribution Trust**

### **Notes to the Financial Statements (continued)**

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. Financial assets are derecognised when, and only when it is discharged, cancelled or expires.

The Legal Contribution Trust has the following three categories of financial instruments:

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

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.

## **2. Other assets and liabilities**

This section sets out those assets and liabilities that arose from the Legal Contribution Trust's controlled operations utilised for economic benefits and liabilities incurred during normal operations:

	Notes	2018	2017
		\$	\$
Receivables	2.1	375,991	293,406
Payables	2.2	142,557	127,561
Provisions	2.3	187,256	-

### **2.1 Receivables**

	31 Dec 18	30 Jun 18
	\$	\$
<u>Current</u>		
GST receivable	37,208	33,383
Interest receivable	338,583	254,623
Other receivables	200	5,400
<b>Total receivables</b>	<b>375,991</b>	<b>293,406</b>

Receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

In the current year, LCT has adopted AASB9 *Financial Instruments* effective for an annual period that begins on or after 1 January 2018.

There has been no material impact to the Receivable balance arising from the adoption of AASB 9 *Financial Instruments*.

# Legal Contribution Trust

## Notes to the Financial Statements (continued)

### 2.2 Payables

	31 Dec 18 \$	30 Jun 18 \$
<u>Current</u>		
Trade payables	115,857	101,061
Accrued expenses	26,700	26,500
<b>Total Payables</b>	<b>142,557</b>	<b>127,561</b>

Payables are recognised at the amounts payable when the entity 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.

### 2.3 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.

The estimated cost associated with the external intervention into law practices as at 31 December 2018 is \$187,256 (30 June 2018: \$nil)

## 3. Financing

This section sets out the material balances and disclosures associated with the cash flows of the Legal Contribution Trust.

	Notes
Cash and cash equivalents	3.1
Reconciliation of cash	3.1.1
Reconciliation of net surplus for the period to net cash flows from operating activities	3.1.2
Commitments	3.2

### 3.1 Cash and cash equivalents

#### 3.1.1 Reconciliation of cash

	31 Dec 18 \$	30 Jun 18 \$
Cash and deposits at call	2,153,830	1,684,499
Term deposits	12,819,481	12,709,668
	<b>14,973,311</b>	<b>14,394,167</b>
Represented by:		
Cash and cash equivalents	14,973,311	14,394,167
<b>Balance at end of period</b>	<b>14,973,311</b>	<b>14,394,167</b>

For the purpose of the statement of cash flows, cash and cash equivalent assets comprise cash on hand and short-term deposits that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

# Legal Contribution Trust

## Notes to the Financial Statements (continued)

### 3.1.2 Reconciliation of net surplus for the period to net cash flows from operating activities

	31 Dec 18 \$	30 Jun 18 \$
Surplus for the period	498,148	331,687
	<u>498,148</u>	<u>331,687</u>
(Increase)/decrease in assets:		
Receivables	(121,256)	12,133
Increase/(Decrease) in liabilities:		
Current liabilities	202,252	16,637
<b>Net cash generated by operating activities</b>	<b><u>579,144</u></b>	<b><u>360,457</u></b>

### 3.2 Commitments

There are no commitments as at 31 December 2018.

## 4. Risks and Contingencies

This note sets out the key risk management policies and measurement techniques of the Legal Contribution Trust.

	Notes
Financial risk management	4.1
Contingent assets and liabilities	4.2
Contingent assets	4.2.1
Contingent liabilities	4.2.2

### 4.1 Financial risk management

Financial instruments held by the Legal Contribution Trust are cash and cash equivalents, loan and receivables and payables. The Trust has limited exposure to financial risks. The entity's overall risk management program focuses on managing the risks identified below.

#### (a) Summary of risks and risk management

##### 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 maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 4.1(c) 'Financial instruments disclosures' and Note 2.1 'Receivables'.

Credit risk associated with the Trust's financial assets is minimal because the main receivable consists of interest on investments and solicitor trust accounts. In addition, receivable balances are monitored on an ongoing basis with the result that the Trust's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

# **Legal Contribution Trust**

## **Notes to the Financial Statements (continued)**

### Liquidity risk

Liquidity risk arises when the Legal Contribution 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 has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

### Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Legal Contribution 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 [for example, equity securities or commodity prices changes].

Other than as detailed in the interest rate sensitivity analysis table at Note 4.1(e), the Trust's exposure to market risk for changes in interest rates relates primarily to cash investments in term deposits. The Trust has no borrowings.

### **(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:

	<b>31 Dec 18</b>	<b>30 Jun 18</b>
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	14,973,311	14,394,167
Receivables <sup>(a)</sup>	338,783	260,023
<b>Total financial assets</b>	<hr/> 15,312,095	<hr/> 14,654,190
 <b>Financial liabilities</b>		
Payables	142,557	127,561
<b>Total financial liability</b>	<hr/> 142,557	<hr/> 127,561

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

**Legal Contribution Trust**  
**Notes to the Financial Statements (continued)**

(b) 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 \$	
<b>31 Dec 18</b>								
Cash and cash equivalents	14,973,311	14,973,311	-	-	-	-	-	-
Receivables <sup>(a)</sup>	338,783	338,783	-	-	-	-	-	-
	<b>15,312,095</b>	<b>15,312,095</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 Jun 18</b>								
Cash and cash equivalents	14,394,167	14,394,167	-	-	-	-	-	-
Receivables <sup>(a)</sup>	260,023	260,023	-	-	-	-	-	-
	<b>14,654,190</b>	<b>14,654,190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## Legal Contribution Trust

### Notes to the Financial Statements (continued)

#### (d) 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			Nominal amount \$	Maturity dates				
			Fixed interest rate	Variable interest rate	Non-interest bearing		Up to 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	More than 5 years \$
<b>31 Dec 18</b>											
<b>Financial assets</b>											
Cash and cash equivalents	2.09%	14,973,311	14,973,311	-	-	14,973,311	10,488,030	-	4,485,281	-	-
Receivables <sup>(a)</sup>	-	338,783	-	-	338,783	338,783	200,727	62,634	75,422	-	-
		15,312,095	14,973,311	-	338,783	15,312,095	10,688,757	62,634	4,560,703	-	-
<b>Financial liabilities</b>											
Payables	-	142,557	-	-	142,557	142,557	137,159	5,398	-	-	-
		142,557	-	-	142,557	142,557	137,159	5,398	-	-	-
<b>30 Jun 18</b>											
<b>Financial Assets</b>											
Cash and cash equivalents	2.10%	14,394,167	14,394,167	-	-	14,394,167	11,294,811	-	3,099,356	-	-
Receivables <sup>(a)</sup>		260,023	-	-	260,023	260,023	167,723	19,045	73,255	-	-
		14,654,190	14,394,167	-	260,023	14,654,190	11,462,534	19,045	3,172,611	-	-
<b>Financial Liabilities</b>											
Payables	-	127,561	-	-	127,561	127,561	127,561	-	-	-	-
		127,561	-	-	127,561	127,561	127,561	-	-	-	-

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

## Legal Contribution Trust

### Notes to the Financial Statements (continued)

#### (e) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Legal Contribution 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 \$
<b>31 Dec 18</b>					
<u>Financial Assets</u>					
Cash and cash equivalents	14,973,311	(149,733)	(149,733)	149,733	149,733
<b>Total Increase/(Decrease)</b>		<b>(149,733)</b>	<b>(149,733)</b>	<b>149,733</b>	<b>149,733</b>
	Carrying amount \$	-100 basis points		+100 basis points	
		Profit \$	Equity \$	Profit \$	Equity \$
<b>30 Jun 18</b>					
<u>Financial Assets</u>					
Cash and cash equivalents	14,394,167	(143,942)	(143,942)	143,942	143,942
<b>Total Increase/(Decrease)</b>		<b>(143,942)</b>	<b>(143,942)</b>	<b>143,942</b>	<b>143,942</b>

# **Legal Contribution Trust**

## **Notes to the Financial Statements (continued)**

### **4.2 Contingent assets and liabilities**

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

#### **4.2.1 Contingent assets**

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.

There are legal proceedings to recover funds paid out to claimants. The total estimated financial settlement is \$nil (30 June 2018: 3,107,652).

#### **4.2.2 Contingent liabilities**

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 Solicitors Guarantee Fund 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.

The total estimated financial settlement amount of claims being investigated as at 31 December 2018 is \$1,466 (30 June 2018: \$1,629,468).

## **5. Other disclosures**

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	<b>Notes</b>
Future impact of Australian standards issued not yet operative	5.1
Key management personnel	5.2
Related party transactions	5.3
Remuneration of auditors	5.4
Subsequent events	5.5
Supplementary financial information	5.6
Explanatory statement	5.7

# Legal Contribution Trust

## Notes to the Financial Statements (continued)

### 5.1 Future impact of Australian Accounting Standards not yet operative

The entity cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements' or by an exemption from TI 1101. Where applicable, the entity plans to apply the following Australian Accounting Standards from their application date.

	Operative for reporting periods beginning on/after	
AASB 15	<i>Revenue from Contracts with Customers</i> This Standard establishes the principles that the entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The mandatory application date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.  <i>The Legal Contribution Trust's income is derived principally from statutory sources which is measured under AASB 1058 and will be unaffected by this change.</i>	1 Jan 2019
AASB 16	<i>Leases</i> This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.  <i>The Legal Contribution Trust will be unaffected by this change as it has no lease arrangements.</i>	1 Jan 2019
AASB 1058	<i>Income of Not-for-Profit Entities</i> This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.  <i>The Legal Contribution Trust anticipates no material impact from this change.</i>	1 Jan 2019
AASB 2016-8	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i> This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	1 Jan 2019

# **Legal Contribution Trust**

## **Notes to the Financial Statements (continued)**

### **5.2 Key Management Personnel**

The key management personnel of the Legal Contribution Trust are the Trustees. No remuneration is paid to the Trustees.

### **5.3 Related parties disclosures**

During the six months ended 31 December 2018, the Legal Contribution Trust made no distribution (30 June 2018: \$Nil) to the Law Society of Western Australia.

Administration fees amounting to \$71,476 (30 June 2018: \$71,476) were paid to the Law Society of Western Australia during the period on normal commercial terms and condition.

As at 31 December 2018, the Legal Contribution Trust did not owe monies to the Law Society of Western Australia (30 June 2018: \$Nil).

### **5.4 Remuneration of auditors**

Remuneration paid or payable to the Auditor General in respect of the audit for the six months ended 31 December 2018 is as follows:

	<b>31 Dec 18</b>	<b>30 Jun 18</b>
	\$	\$
Auditing the accounts, financial statements, controls, and key performance indicators	26,700	26,500

### **5.5 Subsequent events**

There are no subsequent events.

### **5.6 Supplementary financial information**

#### **(a) Solicitors Guarantee Fund – supplementary statement**

The Solicitors Guarantee Fund 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 Legal Contribution 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 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.

As at 31 December 2018, the balance of the Solicitors Guarantee Fund is \$15,060,565 (30 June 2018: \$14,562,418). Operating surplus of \$498,148 (30 June 2018: \$331,687) was retained by the Legal Contribution Trust.

## **Legal Contribution Trust**

### **Notes to the Financial Statements (continued)**

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 5.5(b) and 5.5(c).

The financial information in the attached supplements form part of the balance included in the Legal Contribution Trust financial statements for the six months ended 31 December 2018.

#### **(b) Solicitors Guarantee Fund – Statement of Financial Position**

	<b>31 Dec 18</b>	<b>30 Jun 18</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	13,749,608	13,673,451
Receivables	186,498	142,376
LCT appropriation receivable	1,317,113	765,837
<b>Total current assets</b>	<b>15,253,219</b>	<b>14,581,665</b>
<b>Total assets</b>	<b>15,253,219</b>	<b>14,581,665</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payables	5,398	19,247
Provision	187,256	-
<b>Total current liabilities</b>	<b>192,654</b>	<b>19,247</b>
<b>Total liabilities</b>	<b>192,654</b>	<b>19,247</b>
<b>Net assets</b>	<b>15,060,565</b>	<b>14,562,418</b>
<b>Equity</b>		
Accumulated surplus	15,060,565	14,562,418
<b>Total equity</b>	<b>15,060,565</b>	<b>14,562,418</b>

## **Legal Contribution Trust**

### **Notes to the Financial Statements (continued)**

**(c) Solicitors Guarantee Fund - Statement of Comprehensive Income for the six months ended 31 December 2018**

	For the Six Months Ended 31 Dec 18	For the Six Months Ended 30 Jun 18
	\$	\$
<b>Income</b>		
Contributions by legal practitioners	2,360	35,620
Appropriation from the Legal Contribution Trust	551,294	375,202
Interest on investments	155,981	148,978
<b>Total income</b>	<b>709,635</b>	<b>559,800</b>
<b>Expenses</b>		
Supervising solicitors	211,452	228,083
Other expenses	35	30
<b>Total expenses</b>	<b>211,487</b>	<b>228,113</b>
<b>Surplus for the period</b>	<b>498,148</b>	<b>331,687</b>
<b>Total comprehensive income for the period</b>	<b>498,148</b>	<b>331,687</b>

# Legal Contribution Trust

## Notes to the Financial Statements (continued)

### 5.7 Explanatory Statement

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

Variations between actual results and those of the preceding period greater than 5% or \$24,907 are considered significant.

	Variance Notes	For the Six Months Ended 31 Dec 18	For the Six Months Ended 30 Jun 18	Variance between actual results for 31 Dec 18 and 30 Jun 18
		\$	\$	\$
<b>Income</b>				
Interest earned on solicitors' trust accounts	a	1,136,035	921,335	214,700
Interest on investments		157,161	149,776	7,385
Contributions by legal practitioners	b	2,360	35,620	(33,260)
<b>Total income</b>		<b>1,295,556</b>	<b>1,106,731</b>	<b>188,825</b>
<b>Expenses</b>				
Administration expenses		74,400	78,792	(4,392)
Audit fees - Office of the Auditor General		26,700	26,500	200
Legal fees	c	59,652	98,191	(38,539)
Supervising solicitors		211,453	228,083	(16,631)
Trust account inspector service	d	425,203	343,478	81,725
<b>Total expenses</b>		<b>797,408</b>	<b>775,044</b>	<b>22,364</b>
<b>Surplus for the period</b>		<b>498,148</b>	<b>331,687</b>	<b>166,461</b>
<b>Total comprehensive income for the period</b>		<b>498,148</b>	<b>331,687</b>	<b>166,461</b>

- a) Interest earned on solicitors' trust accounts increased due to increase in average monthly balance in solicitors' trust accounts.
- b) Contributions by legal practitioners are generally lower in the six months ended 31 December 2018 as it falls outside the annual renewal period of practising certificates, which is in May each year.
- c) Legal fees have decreased due to lower number of claims being investigated compared to the previous period.
- d) Trust accounts inspector service expenses have increased due to costs associated with the turnover of personnel.

**Legal Contribution Trust**  
**Audited key performance indicators for the six months ended 31**  
**December 2018**

**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 31 December 2018.



Michael Ferguson  
Chairperson

19/3/19

Date



Catherine Ferrari  
Trustee

19/3/19

Date

## Legal Contribution Trust

### Key Performance Indicators

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

The Legal Profession Act 2008 directs that the operating surplus 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 surpluses, 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 Law Society from time to time.

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

### Indicators

#### Effectiveness

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

Six Months Ended	LCT surplus retained in SGF or Distributed to Beneficiaries	Percentage of operating surplus appropriated to the SGF	Total SGF Funds
	\$		\$
30 Jun 17	390,043	100%	13,768,266
31 Dec 17	390,635	100%	14,230,730
30 Jun 18	375,202	100%	14,562,417
31 Dec 18	551,294	100%	15,060,565

#### Efficiency

The following table shows the percentage of gross income of the Legal Contribution Trust retained or appropriated to the beneficiaries named in the Legal Profession Act 2008 as the designated beneficiaries.

The greater the percentage of gross income available for retention or appropriation the greater the efficiency.

Six Months Ended	Gross income	Expenses	Operating Surplus	Percentage of Gross Revenue Available for Retention or Appropriation to Nominated Beneficiaries
	\$	\$	\$	\$
30 Jun 17	1,082,613	689,817	392,796	36%
31 Dec 17	1,083,860	621,396	462,464	43%
30 Jun 18	1,106,731	775,044	331,687	30%
31 Dec 18	1,295,556	797,408	498,148	38%