

Legal Practitioners Fidelity Fund

Annual financial report for the year ended 30 June 2024

Councillors' report

The Councillors present their report on the Legal Practitioners Fidelity Fund (hereafter referred to as the Fund) for the year ended 30 June 2024.

Councillors

The members of the Council in office during or since the end of the financial year were:

Lauren Diana Absalom	Olivia Grace Irvine
Jennifer Ruth Ball	Mary Josephine Esther Macken
Cassandra Denise Banks	Ronan MacSweeney
Angelo Biliass	Brett Patrick McGrath
Danielle Lee Captain-Webb	Maira Leonie Saville
Adriana Care	Leah Irene Serafim
Jacqueline Mai Dawson	Jade Elizabeth Tyrrell
Sylvia Fernandez	Joanne Patricia van der Plaat
Anthony Charles Gordon	Jennifer Jane Windsor
Rebekah Victoria McEwin Hunter	Jennifer Louise Lai Wah Wong
Hugh Ignatius Macken	Ereboni Yazdani

All members of the Council are practising solicitors of the Supreme Court of New South Wales.

During the year, the following Councillors were elected, re elected or appointed to Council: Ms L Absalom (re-elected 26.10.23), Ms O Irvine (appointed 26.10.23), Ms M Saville (elected 26.10.23), Ms J Wong (re-elected 26.10.23).

During the year, the following Councillors retired or resigned from Council: Ms A Care (retired 26.10.23), Mr H Macken (retired 26.10.23), Ms O Irvine (retired 10.04.24), Ms L Serafim (retired 26.10.23), Ms J van der Plaat (retired 31.12.23), Ms J Windsor (retired 26.10.23), Ms J Wong (retired 30.06.24).

Principal activities

The Legal Practitioners Fidelity Fund is a statutory fund for which The Law Society of New South Wales (Law Society) is the administrator. The Fund is administered in accordance with Part 9 of the *Legal Profession Uniform Law Application Act 2014* (the Act). The Fund exists to compensate members of the public who suffer pecuniary loss due to the dishonest conduct of a solicitor or firm in relation to trust money or property.

The Fund's revenue is mainly sourced from the following:

- annual contributions received from solicitors holding a practising certificate in New South Wales; and
- the interest or other income accruing from investment of money held by the Fund.

The Council are able to pay from the Fund the following:

- the amount of a claim (including interest and costs) allowed or established against the Law Society in respect of the Fund;
- legal expenses incurred in investigating or defending claims made against the Fund, or against the Law Society in relation to the Fund, or otherwise incurred in relation to the Fund; and
- the expenses incurred in administering the Fund.

Change in state of affairs

During the financial year there was no significant change in the state of affairs of the Fund other than that referred to in the financial statements or notes thereto.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Future developments

There are no likely developments in the operations of the Fund which would significantly affect the results of future operations.

Indemnification of officers and auditors

During the financial year, The Law Society of New South Wales paid a premium in respect of a contract insuring the Councillors of the Society against a liability incurred as such a Councillor to the extent permitted by the law. The contract covers Councillors in their role as administrators of the Fund. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Law Society of New South Wales has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

Rounding of amounts

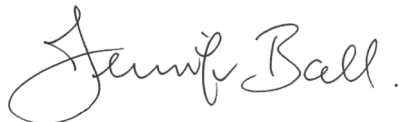
The Fund is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, related to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Council.

On behalf of the Council



B McGrath
Councillor



J Ball
Councillor

Sydney, 26 September 2024

LEGAL PRACTITIONERS FIDELITY FUND
Statement of comprehensive income
For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Revenue			
Solicitor contribution revenue		2,517	2,428
Investment and interest revenue		3,554	3,045
Total revenue		6,071	5,473
Expenses			
Administrative expenses		(837)	(850)
Legal costs		(52)	(244)
Claims expense	3	(6,110)	(54)
Less: Claims recoveries		19	134
Net claims expense		(6,091)	80
Total expenses		(6,980)	(1,014)
(Deficit) surplus for the year		(909)	4,459
Other comprehensive income		-	-
Total comprehensive (deficit) surplus for the year		(909)	4,459

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

LEGAL PRACTITIONERS FIDELITY FUND

Balance sheet

As at 30 June 2024

	Note	2024 \$'000	2023 \$'000
Current assets			
Cash and cash equivalents		3,412	3,693
Trade and other receivables	4	352	362
Investments	5	59,598	54,507
Total current assets		63,362	58,562
Total assets		63,362	58,562
Current liabilities			
Trade and other payables	6	140	137
Outstanding claims liability	7	8,769	3,113
Other liabilities	8	2,343	2,293
Total current liabilities		11,252	5,543
Total liabilities		11,252	5,543
Net assets		52,110	53,019
Equity			
Retained earnings	9	52,110	53,019
Total equity		52,110	53,019

The above balance sheet should be read in conjunction with the accompanying notes.

LEGAL PRACTITIONERS FIDELITY FUND
Statement of changes in equity
For the year ended 30 June 2024

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2022	48,560	48,560
Total comprehensive surplus for the year	4,459	4,459
Balance at 30 June 2023	53,019	53,019
Total comprehensive deficit for the year	(909)	(909)
Balance at 30 June 2024	52,110	52,110

The above statement of changes in equity should be read in conjunction with the accompanying notes.

LEGAL PRACTITIONERS FIDELITY FUND
Statement of cash flows
For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Solicitor contributions and cost recoveries		2,596	2,721
Claim payments, legal costs and administrative expenses paid		(1,340)	(1,395)
Net cash inflow from operating activities	13	1,256	1,326
Cash flows from investing activities			
Payment for investment securities		(2,000)	(6,000)
Proceeds on sale of investment securities		-	-
Interest received		463	261
Net cash outflow from investing activities		(1,537)	(5,739)
Net decrease in cash and cash equivalents		(281)	(4,413)
Cash and cash equivalents at the beginning of the year		3,693	8,106
Cash and cash equivalents at the end of year		3,412	3,693

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. Reporting Entity

The Legal Practitioners Fidelity Fund is established and maintained pursuant to Part 9 of the *Legal Profession Uniform Law Application Act 2014*. The Fund is the property of Law Society, and its principal place of business is:

The Law Society of New South Wales
170 Phillip Street
Sydney NSW 2000

2. Summary of material accounting policies

The material accounting policies adopted in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented. The financial statements are presented in the Australian currency.

(a) Basis of accounting

(i) General Purpose Financial Statements – Simplified Disclosures

This is a general purpose financial report that has been prepared for the sole purpose of complying with the *Legal Profession Uniform Law Application Act 2014* requirement to have the accounts relating to the Fund audited annually by a firm of accountants approved by the Attorney General and must not be used for any other purpose.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those Standards as modified by AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. Accordingly, the financial statements comply with Australian Accounting Standards – Simplified Disclosures and contain only those disclosures considered necessary by the Councillors to meet the above stated requirement.

(ii) New standards and amended standards adopted by the Fund

The Fund has applied the following standard for the first time for the annual reporting period commencing on 1 July 2023:

- AASB 2021-2, AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

These amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for the following:

- certain financial assets and liabilities (including derivative instruments) measured at fair value.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Fund and that are believed to be reasonable under the circumstances. The fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In the process of determining a provision or contingent liability, significant judgement is applied in determining the probability of outflow, or the best estimate of the provision based on all available information, facts and circumstances. The nature of provisions and contingent liabilities are such, that as further information comes to light, the ultimate outcome could be significantly different to the number provided.

2. Summary of material accounting policies (continued)

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

The Fund makes estimates and assumptions concerning the future, including the determination of claims payable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Fund recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Fund.

Solicitor contributions and levies

Contributions and levies are received in advance and disclosed in the balance sheet as income received in advance. Revenue is recognised during the financial year to which the received income is attributable.

Interest income

Interest income is recognised using the effective interest method.

(c) Income tax

No liability for income tax has been provided for the Fund as it is exempt from the payment of income tax.

(d) Cash and cash equivalents

For the purpose of presentation in the balance sheet and the statement of cash flows, cash and cash equivalents includes deposits held at call with financial institutions.

(e) Investments

The Fund's investments are classified as fair value through profit or loss upon initial recognition. They are initially recorded at fair value (being the cost of acquisition excluding transaction costs) and are subsequently remeasured to fair value at each reporting date. Changes in the fair value are taken immediately to the income statement. Purchases and sales of investments are recognised on a trade date basis, being the date on which a commitment is made to purchase or sell the asset. Fair value is determined by reference to the redemption price provided by the fund manager.

(f) Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid in the future for services received.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

(h) Outstanding claims liability

Outstanding claims are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision for outstanding claims is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

2. Summary of material accounting policies (continued)

(i) Rounding of amounts

The Fund is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, related to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

3. Claims expense

	2024 \$'000	2023 \$'000
Claims paid	454	268
Movement in outstanding claims provision	5,656	(214)
	6,110	54

4. Trade and other receivables

Receivable from The Law Society of NSW

Solicitor contributions receivable	272	292
Interest receivable	80	69
Goods and services tax recoverable	-	1
	352	362

5. Investments

Financial assets at fair value through profit or loss

Term deposits	8,000	6,000
Managed funds	51,598	48,507
	59,598	54,507

6. Trade and other payables

Trade payables	58	55
Payable to The Law Society of NSW	82	82
	140	137

7. Outstanding claims liability

Claims admitted and unpaid	154	159
Claim costs unpaid	-	-
Provision for undetermined claims	8,615	2,954
	8,769	3,113

8. Other liabilities

Solicitor contributions received in advance	2,343	2,293
	2,343	2,293

9. Retained earnings

Movements in retained earnings were as follows:

	2024	2023
	\$'000	\$'000
Balance 1 July	53,019	48,560
(Deficit) surplus for the year	(909)	4,459
Balance 30 June	52,110	53,019

10. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Fund and non-related audit firms:

	2024	2023
	\$	\$
PwC Australia		
Audit and review of financial statements	56,500	54,750
Total auditors' remuneration	56,500	54,750

11. Contingent liabilities

There is a potential liability of \$4,579,005 (2023: \$4,378,209) in respect of the pecuniary loss which may arise from the following:

- (i) notices of default received by the Fund in respect of which a claim has not been made and where there is presently insufficient evidence that there may have been a failure to default;
- (ii) claims received which, based on current information, are considered not likely to be successful; and
- (iii) disallowed claims subject to appeal or possible appeal.

The administrators of the Fund are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.

12. Related party transactions

During the financial year the Fund paid The Law Society of New South Wales \$760,410 (2023: \$785,208) for management and administration services.

As at 30 June 2024, the following balances were receivable from or payable to The Law Society of New South Wales:

- (i) Receivable from The Law Society of New South Wales \$272,012 (2023: \$292,058)
- (ii) Payable to The Law Society of New South Wales \$82,273 (2023: \$82,401)

13. Reconciliation of (deficit) surplus to net cash flow from operating activities

	2024	2023
	\$'000	\$'000
(Deficit) surplus for the year	(909)	4,459
Interest income	(463)	(261)
Fair value gains on financial assets at fair value through profit or loss *	(3,091)	(2,784)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	10	73
Increase (decrease) in trade and other payables	3	(33)
Increase (decrease) in outstanding claims liability	5,656	(214)
Increase in other liabilities	50	86
Net cash inflow from operating activities	1,256	1,326

* Includes non-cash investing activities whereby the Fund receives an increase in units held.

As stated in note 2(a)(i) this general purpose financial report has been prepared to meet the Council's reporting requirements under the *Legal Profession Uniform Law Application Act 2014*.

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 2.

In the Councillors' opinion:

- (a) The financial statements and notes thereto:
 - (i) comply with Accounting Standards and other mandatory professional reporting requirements as detailed above; and
 - (ii) give a true and fair view of the Fund's financial position at 30 June 2024 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Council.

On behalf of the Council



B McGrath
Councillor



J Ball
Councillor

Sydney, 26 September 2024



Independent auditor's report

To the Council of The Law Society of New South Wales

Our opinion

In our opinion the accompanying financial report gives a true and fair view of the financial position of the Legal Practitioners Fidelity Fund (the Fund) as at 30 June 2024 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards – Simplified Disclosures.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2024
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, including material accounting policy information and other explanatory information
- the declaration of the Councillors.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared to assist the fund to meet the requirements of the *Legal Profession Uniform Law Application Act 2014*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Council of The Law Society of New South Wales and should not be used by parties other than the Council of The Law Society of New South Wales. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers, ABN 52 780 433 757

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Other information

The Councillors of The Law Society of New South Wales are responsible for the other information. The other information comprises the information included in the annual financial report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Councillors for the financial report

The Councillors of The Law Society of New South Wales are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures, and for such internal control as the Councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Councillors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

This description forms part of our auditor's report.

A stylized, handwritten signature of "PricewaterhouseCoopers" in a cursive script.

PricewaterhouseCoopers

A stylized, handwritten signature of "R Balding" in a cursive script, followed by a long horizontal flourish.

R Balding
Partner

Sydney
26 September 2024