LEGAL PRACTITIONERS' LIABILITY COMMITTEE

ANNUAL REPORT
2021–2022

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

About LPLC

The Legal Practitioners' Liability Committee (LPLC) has been insuring legal practitioners practicing in Victoria since 1986. It is the successor body to the Solicitors' Liability Committee. LPLC administers the Legal Practitioners' Liability Fund (the Fund).

Pursuant to the *Legal Profession Uniform Law Application Act 2014* (Vic), LPLC is the insurer to law practices (solicitors and barristers) engaging in legal practice in Victoria, as well as most of Australia's largest national firms.

LPLC is an independent statutory authority, a market leader in a specialised market and insurer of more than 22,500 legal practitioners.

LPLC's statutory scheme is underpinned by the objectives of the Uniform Law in relation to professional indemnity insurance, which are:

- to ensure that Australian legal practitioners are covered by approved professional indemnity insurance
- to ensure that clients of law practices have adequate protection against the consequences of professional negligence.

The functions of LPLC are:

- to provide professional indemnity insurance to law practices
- to undertake liability under contracts of professional indemnity insurance entered into with law practices
- any other functions conferred upon it by the Legal Profession Uniform Law Application Act 2014 (Vic).

LPLC has the power to enter into contracts or arrangements relating to insurance and reinsurance.

LPLC also provides risk management services to law practices.

LPLC reports to the Attorney-General and to the Assistant Treasurer of the State of Victoria.

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FROM THE CHAIR

The reporting year was a challenging one for LPLC, as it was for the legal profession and the broader business community generally, with anxieties and uncertainty from major disruptive world events.

These included fatigue as the Omicron variant of the coronavirus extended the pandemic into its third year, supply chain disruption and inflation shocks triggered by Russia's invasion of Ukraine, rising geopolitical tensions in the Asia-Pacific region, and the effects of climate change producing more frequent natural catastrophes.

The magnitude and significance of these events one after the other created great challenges for all, and LPLC faced direct and indirect impacts from them.

Investment markets felt the full impact of powerful inflationary forces in the second half of the year on the back of steeply rising energy prices and worldwide shortages of primary commodities. Sharp falls in equity markets impacted our investment portfolio and drove LPLC's first negative investment return since the GFC in 2009. Our weighting to a more defensive portfolio, and the diversification of asset classes, meant that investment losses were kept to 2.6 per cent against much heavier investment losses experienced by the market overall.

While the frequency of claims was on par with prior years, we nevertheless experienced a steep rise in average claim size, particularly with smaller firms. This trend is indicative of the increasing complexity of legal work, increasing asset values and a greater propensity for claims to be pursued when the economic outlook is more uncertain and clients more anxious about their future.

It is also a time of great change within the legal sector as firms grapple with specific market challenges of hybrid working, lawyer supervision, staff wellbeing, talent retention and emerging cybersecurity threats, all while continuing to manage client needs.

The Committee noticed that larger firms shouldered the effects of these pressures with remarkable resilience, but signs of greater stress emerged for smaller firms whose businesses are generally less resourced to cope with constant change management pressures.

It is in this environment that LPLC's risk management services and engagement with practitioners on professional and business risks continued to be most in demand, and a hallmark of our insurance scheme. The value of this work to support the profession in upskilling their services and managing their professional risk comes most to the fore in more difficult times, as it is vital work to the maintenance of reasonably affordable scheme insurance costs.

Higher claims costs necessitated an increase in 2022 solicitor premium rates above wage indexation for the first time in many years. Conscious of this impact to smaller firms in particular, the Committee moderated the rate increase to 5 per cent, and continues to contribute a portion of capital reserves to keeping premiums as low as possible.

We maintained our excellent longstanding relationships with reinsurers who support the scheme and expanded the panel with additional capacity to ensure ongoing scheme stability in the face of hardening reinsurance markets.

During the year the Committee reset its Strategic Plan for the next 4 years with a strong focus on continuing to provide the profession with trustworthy and dependable insurance cover, pre-emptive risk management services, collaborative working relationships with our stakeholder groups and modern business systems to support the efficient and personalised service for which LPLC is renowned.

At the end of 2021 we bade farewell to Patricia Kelly, our longest standing Committee member, who completed 12 years of outstanding service on the Committee, including terms as Chair of both the Audit & Risk Committee and the Remuneration & Appointments Committee. Tricia's insurance expertise and commercial acumen contributed greatly to the sound stewardship of LPLC's underwriting, risk and governance functions.

At the same time we welcomed Mark Valena as Tricia's replacement on the Committee. He also brings a lifetime of insurance industry executive experience to the Committee.

I thank my fellow Committee members for their ongoing commitment to the Committee's business over the year. I also thank our CEO Justin Toohey, the executive leadership team and dedicated staff who have successfully navigated the challenges of the past 12 months and ensured LPLC remains in very sound financial shape and as vital and responsive to the needs of the profession as it ever has been.

John Corcoran AM
Chair

FROM THE CEO

During 2021–2022 LPLC faced the challenges of elevated levels of risk throughout the profession fuelled by multiple headwinds—higher claims costs, investment volatility, global conflict stoking inflation and a more uncertain economic outlook, all combining at the same time to produce a financial loss for the year.

Claims costs for the 2021–2022 policy year were significantly higher than prior years although moderated to an extent by reserve releases from earlier underwriting years. The investment loss was concentrated in the last quarter of the year when inflation increased sharply and impacted equities and bond markets in particular.

Despite the loss over the reporting year, the Fund remains in a strong financial position and the insurance scheme continues to deliver great value to the profession. Fund equity at 30 June 2022 stands at $110m.

LPLC has faced challenging times in the past—the recession of the 1990's, the commercial insurance crisis of the early 2000's, the GFC and now the current claims spike. These are the occasions when LPLC's scheme is able to steer the profession through the turbulence and to help smooth cyclical swings from hardening global insurance markets.

Aside from the capacity to provide lasting cover through different market cycles, LPLC's insurance scheme also provides numerous public benefits:

a) universal, high quality cover to all eligible law practices

b) free run-off cover for retired or deceased practitioners and closed firms

c) stable and affordable premiums over the long term

d) an efficient statutory mutual model with low costs and specialist claims management services for practitioners

e) extensive risk management activities for the profession to reduce the incidence and severity of negligence claims

f) reliable, centralised claims data at a profession-wide level to inform pricing and reinsurance decisions and assist the Law Institute of Victoria and Victorian Bar with their Professional Standards Schemes.

g) collaborative relationships with legal regulators and stakeholders, supporting the legal profession and improving the practice of law.

Higher claims costs for the reporting year were due to the increasing severity of claims, rather than an increase in the number of claims. The number of claims and notifications across the scheme remains stable—and indeed the number of claims per lawyer continues to fall as the scheme grows in size—however the average cost of claims has sharply risen in the last three years.

This resulted in the Committee needing to increase solicitors premium rates by 5 per cent in 2022–2023. The primary rating factor for all premiums across the pool is the law practices gross fee income, and in the second year of transition of smaller law practices to this model we made a number of improvements to the efficiency of our insurance renewal portal.

Higher claims costs are particularly notable in the last year among small practices. No single factor is responsible for this rise, but contributing trends included:

- general practice firms taking on highly complex matters needing access to business systems and specialist expertise needed in today's more demanding environment—and not recognising when specialist technical or legal advice should be sought from counsel or other expert practitioners
- the significant increase in residential property prices and size of deceased estates, making individual matters much larger and increasing the scale of losses when mistakes are made
- instances of deliberate and unethical or dishonest conduct by a small number of individual practitioners giving rise to very large losses in a handful of cases.

Our risk management efforts were focused on addressing these causes, particularly the need to encourage practitioners to develop work specialities and develop professional networks for referrals and peer support.

There was also a surge in claims and notifications in two discrete areas accounting for a significant share of the higher claims costs—stamp duty exposures from land development prior to nomination (triggering double duty), and risks associated with settlements advice under institutional redress schemes in relation historic sex abuse cases. More detail of these are contained in the Claims Report on page 8.

We also undertook a detailed study of 'silent cyber' exposures for law practices, and made modifications to the policy wording to ensure scheme coverage for these risks remains appropriate. This included extensive engagement with our reinsurers who again continued their excellent and highly valued support of the scheme.

We were also pleased to publish our major Practice Risk Guide for barrister practitioners ('Good Counsel') during the year, drawing on our claims data to highlight the major areas of claims exposure and traps for barristers.

While barristers produce fewer claims than solicitors there have been some recent large claims from this sector of the pool, and this Guide is designed to support barristers re-double their efforts to continue practising in a safe and ethical manner.

During the year the Committee also reset its Strategic plan for 2022–2025. Four goals form the basis of the Plan to deliver an influential, secure and sustainable insurance scheme for our stakeholders.

1. **Dependable Cover**—providing trustworthy and reliable insurance cover to all types and sizes of law practice, and bringing deep understanding and experience in the practice of law to the design of our underwriting, claims and risk functions.

2. **Preventing Loss**—progressing risk awareness to risk management within the profession, fostering a shared commitment to pre-emptively managing risk, particularly in high-risk areas of practice where significant losses regularly occur.

3. **Profession Leadership**—influencing legal policy and regulation by sharing our data, experience and insights on risk trends in legal profession liability exposures to help improve regulation where systemic risks arise.

4. **Operational excellence**—using our expertise to innovate and continuously improve the experience of insured practitioners dealing with us and growing the capability of our people, culture and technology to better serve our stakeholders.

We continued to work closely with the Victorian Legal Services Board + Commissioner, the Law Institute and the Victorian Bar with regular engagement at executive and operational levels to share information about emerging trends and issues and promote consistency in communications with practitioners. Our relationships with stakeholder groups remain strong and collaborative.

We were also pleased to make a submission in relation to the Government's proposal for mandatory misconduct reporting by lawyers, noting points of intersection and potential impact with the function of LPLC's compulsory professional indemnity insurance scheme.

I would like to especially acknowledge Tricia Kelly's retirement from the Committee during the year. In her capacity both as a Committee member for 12 years, and personally, Tricia gave enormous support to management and was instrumental in extending our professional networks and building a culture of continuous improvement across LPLC's governance and operations.

I also extend sincere thanks to the Chair, Committee members, executive leadership team, staff and outsourced service providers for their ongoing contribution to our important work for the profession.

Justin Toohey
Chief Executive Officer

LPLC CORE OBJECTIVES

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

SECURE | SUSTAINABLE | INFLUENTIAL

OUR MISSION

To be an influential, secure and sustainable insurance scheme for our stakeholders, that:

- indemnifies law practices and protects consumers of legal services from financial loss when professional negligence claims are made
- helps law practices pre-emptively manage their professional risk
- works with other bodies to promote excellence in legal practice and supports the objectives of the Legal Profession Uniform Law
- delivers our services using an evidence-based approach, drawing on our data, experience and stakeholder relationships.

DEPENDABLE COVER	PREVENTING LOSS	PROFESSION LEADERSHIP	OPERATIONAL EXCELLENCE
Trustworthy and reliable insurance	**Risk-awareness to risk management**	**Influence legal policy and regulation**	**Innovate and continuously improve**
• financially sustainable • broad cover for legal services, providing consumer protection • transparent and equitable pricing of risk • just, timely and cost-efficient resolution of claims • insuring major national firms • maintaining the confidence of our reinsurers	• identifying emerging professional risks and practical mitigation advice • influencing law practices to embed risk management into workflows • providing best-practice risk guidance and resources for law practices • supporting and promote quality legal practice	• improving professional standards and quality of legal practice • influencing changes in legal profession regulation relevant to our business • informing practitioners and industry organisations of trends in claims and emerging risks • remain aware of insurance and risk issues in other jurisdictions	• a flexible, safe and inclusive workplace • a workplace culture where our people are valued, supported and empowered • fit for purpose systems and processes • experienced and skilled people, supported by specialist outsourced service providers • achieving and maintaining a high level of service to our insureds

CLAIMS

LPLC's claims management philosophy encourages practitioners to provide early notification of claims or circumstances which might give rise to claims.

Claims and notifications are managed by LPLC's experienced in-house claims solicitors. Claims solicitors make an early assessment of potential exposures in an impartial and balanced manner and, whenever possible, attempt to resolve meritorious claims fairly, promptly and cost-effectively.

In some circumstances, it is appropriate for claims to be defended. Specialist legal advice and the defence of litigated claims is provided by external panel solicitors and counsel as and when required.

Claims — Solicitors

During the reporting period, 490 claims and notifications across the current and earlier underwriting years were finalised. Of these, 352 were resolved in-house by LPLC's claims team.

A total of 448 new claims and circumstances were notified to LPLC from solicitors during 2021–2022 with case estimates of $56.04 million for the year.

Claim frequency is in line with historic patterns, but the rise in claim severity which first emerged during 2019–2020 has continued and remains a concerning trend. The uncertain economic outlook caused by the pandemic and global conflict is fueling many claimants' appetite for litigation. Higher average claim sizes were experienced in several practice areas, most notably property and conveyancing, commercial law, mortgage/securities transactions and personal injury litigation.

There was also a surge in claims and notifications in two discrete areas.

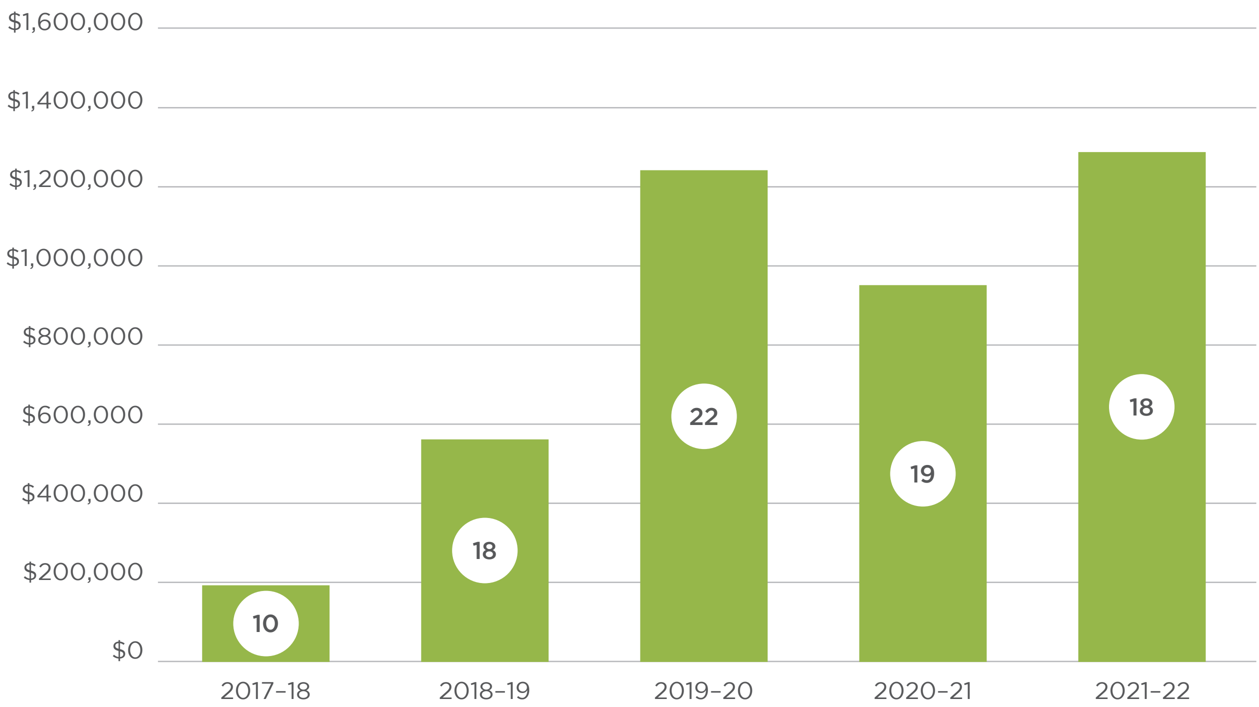
The first area is claims for negligent failure to advise clients of the incidence of double duty due to the operation of the sub-sale provisions in Part 4A of the *Duties Act,* where land development had occurred between the contract date and nomination of a substitute purchaser to take a transfer of title. LPLC published extensive risk management awareness content to address this risk and continues to reinforce the need for conveyancing firms to ensure they address land development and nomination questions with clients at the first moment of taking instructions.

The second area is potential claims from settlements alleged under-settlement of historical sex abuse claims via institutional redress schemes. Government reforms to abolish limitation periods for these claims, to remove the Ellis defence, and to enable prior settlement agreements to be set aside, has cleared a path for claimants to revisit settlements under redress schemes and seek additional amounts. Some institutions are resisting applications by claimants to review past settlements, creating a risk for lawyers who advised on those settlements of being drawn into future claims. Damages awards in this field, and personal injury litigation more broadly, also rose.

Cyber fraud continues to be a significant threat to law practices. The majority of cyber claims arise out property transactions, although any area of law which involves the receipt of funds on behalf of clients is susceptible to an attack. Many firms have not yet implemented, or may still be unaware of the need for, basic cyber security measures, such as multi-factor authentication. Without these measures in place, it is easier for cyber criminals to gain access to a firm's systems. Once the cyber criminals are in their systems, they can intercept emails and alter bank account details. Claims arise against practitioners when they make payments to the fraudster's bank account without telephoning clients to verify the account details. When a client makes a payment to the fraudulent bank account, a claim is made against the practitioner for failing to warn the client of the risk of cyber fraud. While we have seen an increase in recoveries by the banks, if the fraud is not detected quickly enough the funds are often moved offshore and irrecoverable.

For the last three policy years, payments of around $1 million have been made to claimants in relation to cyber fraud.

Cyber Claims – Numbers and Costs



Areas of high claims experience in 2021–2022:

Property and conveyancing
Approximately 30% of total claims by number and 29% by cost

Property and conveyancing claims continue to account for the highest number and highest cost of claims made against solicitors. Simple mistakes by practitioners acting outside their area of expertise and heavily reliant on precedent documents often lead to large claims given the volatile nature of the property market. Failure to advise clients about stamp duty consequences of their property transactions accounted for 18 per cent of property claims and 26 per cent of the cost. As the claims relate to historical transactions, we expect that these claims will continue to plague the profession for some time to come. Other problem areas include inadequate advice about the contract and the property to be acquired. The high frequency of cyber claims in this area of law is also driving up claim costs.

Personal injury litigation
Approximately 13% of total claims by number and 12% by cost

The most common type of oversight personal injury lawyers make is missing a relevant limitation period. Failure to issue proceedings on time leads to expensive claims litigating the value of the lost opportunity to pursue the underlying litigation. We also saw an increased number of revisited settlement claims, particularly from victims of historical institutional abuse.

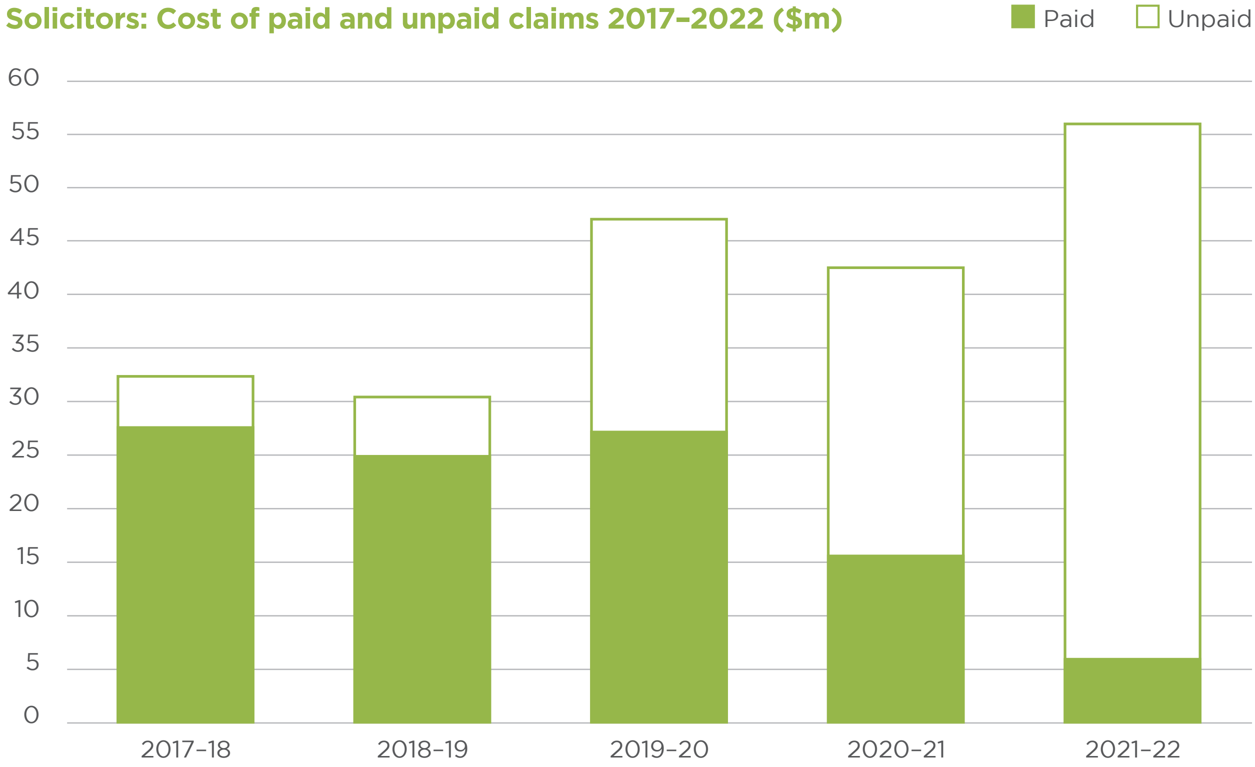
Commercial litigation
Approximately 13% of total claims by number and 6% by cost

While commercial litigation claims accounted for the third highest in terms of frequency, the cost last year was relatively low. Claims by dissatisfied litigants arising from a variety of issues with the conduct of litigation are the most frequent. Other common issues included drafting errors in settlement agreements; missed limitation periods; and alleged breaches of overarching obligations under the Civil Procedure Act 2010 and/or personal costs orders.

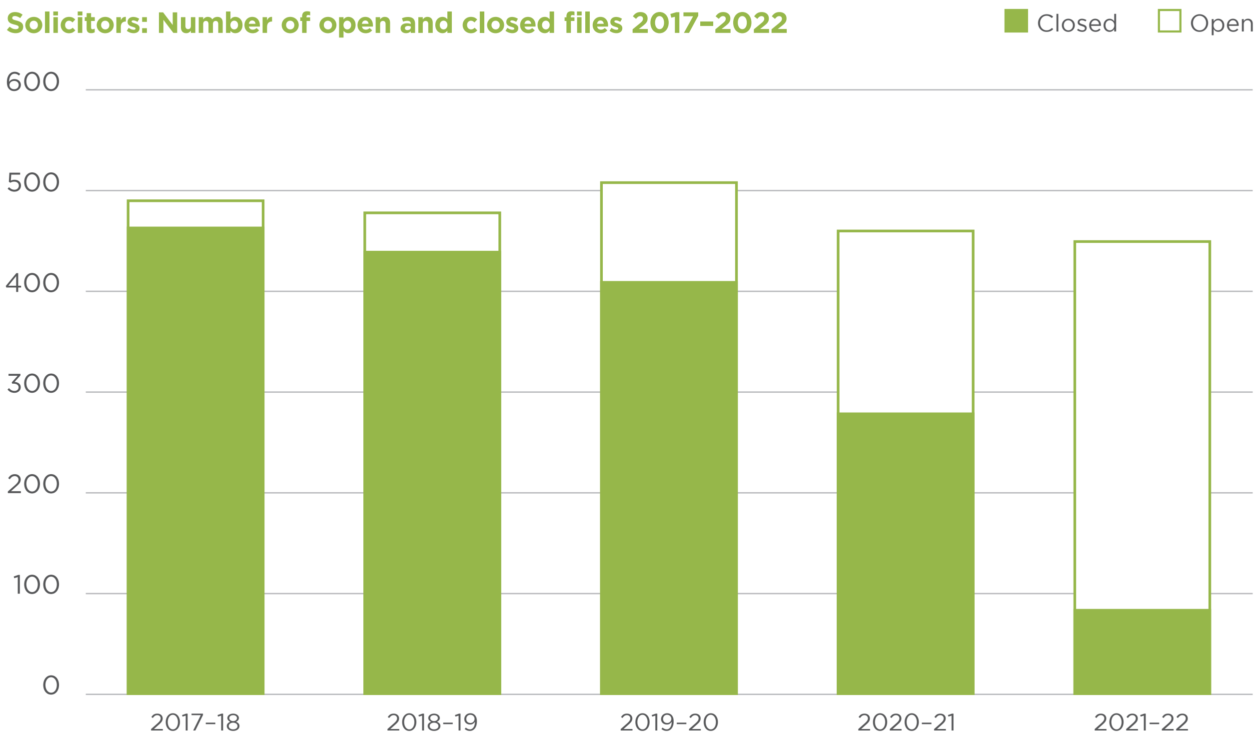
Commercial law
Approximately 12% of total claims by number and 22% by cost

Commercial claims account for the second highest cost of claims (22 per cent). This is unsurprising given that commercial claims often arise from high value transactions where simple oversights can be costly. Claims alleging incorrect and insufficient advice are the most frequent (42 per cent) and costly ($8m), with large claims arising out of multiple areas of law, including corporations law, competition law, tax law and insolvency law.

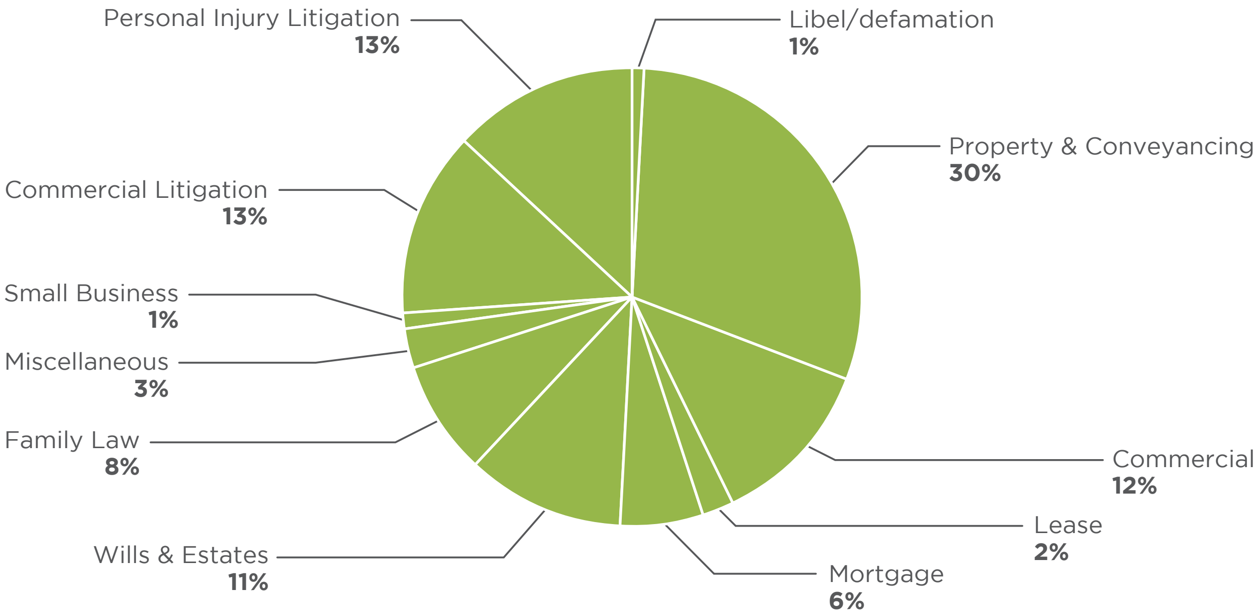
Solicitors: Cost of paid and unpaid claims 2017–2022 ($m)



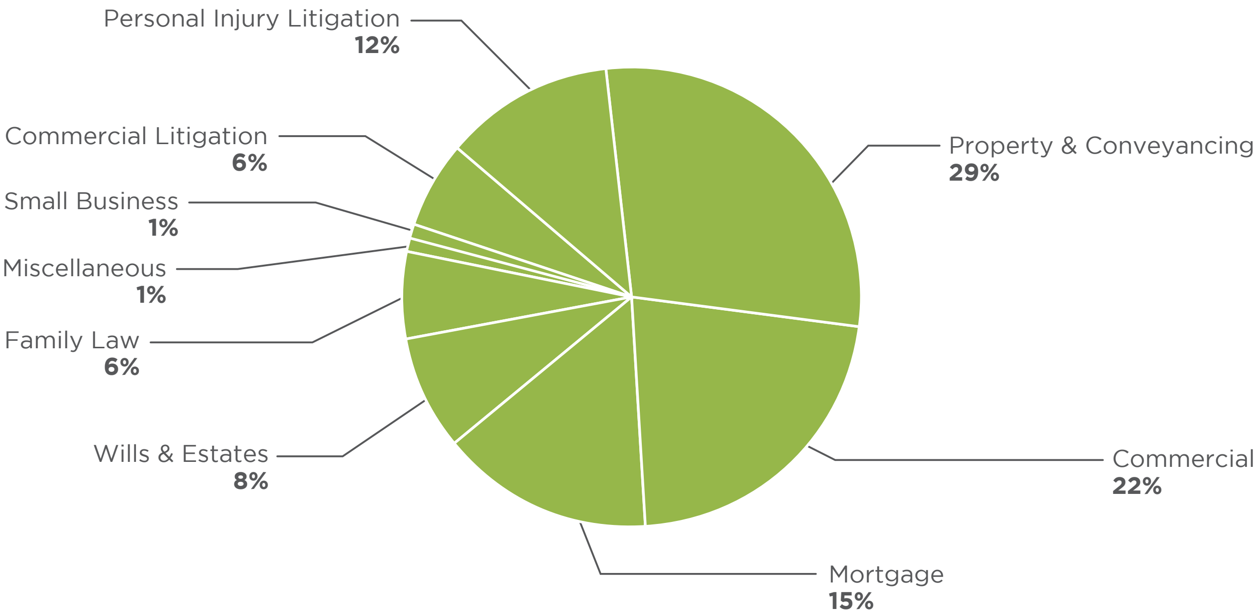
Solicitors: Number of open and closed files 2017–2022



Solicitors: Percentage number of claims by area of practice 2021–2022



Solicitors: Percentage cost of claims by area of practice 2021–2022



CLAIMS (continued)

Claims — Barristers

During the reporting period, 33 claims and notifications from barristers across the current and earlier underwriting years were finalised.

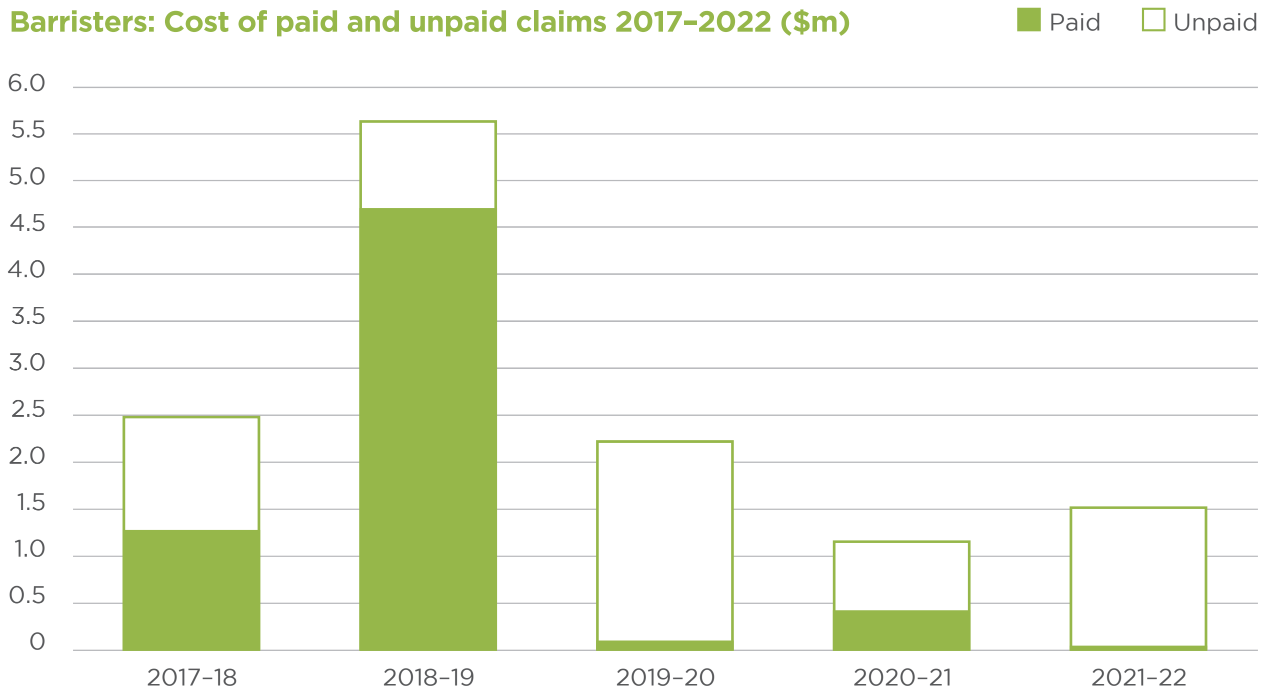
A total of 34 new claims and circumstances were notified by barristers to LPLC in the 2021–2022 underwriting year, with case estimates of $1.53 million.

Claims against commercial litigation barristers account for the highest number of claims (24 per cent) and highest cost of claims (28 per cent). However, last year there were fewer applications for personal costs orders against barristers than in recent times.

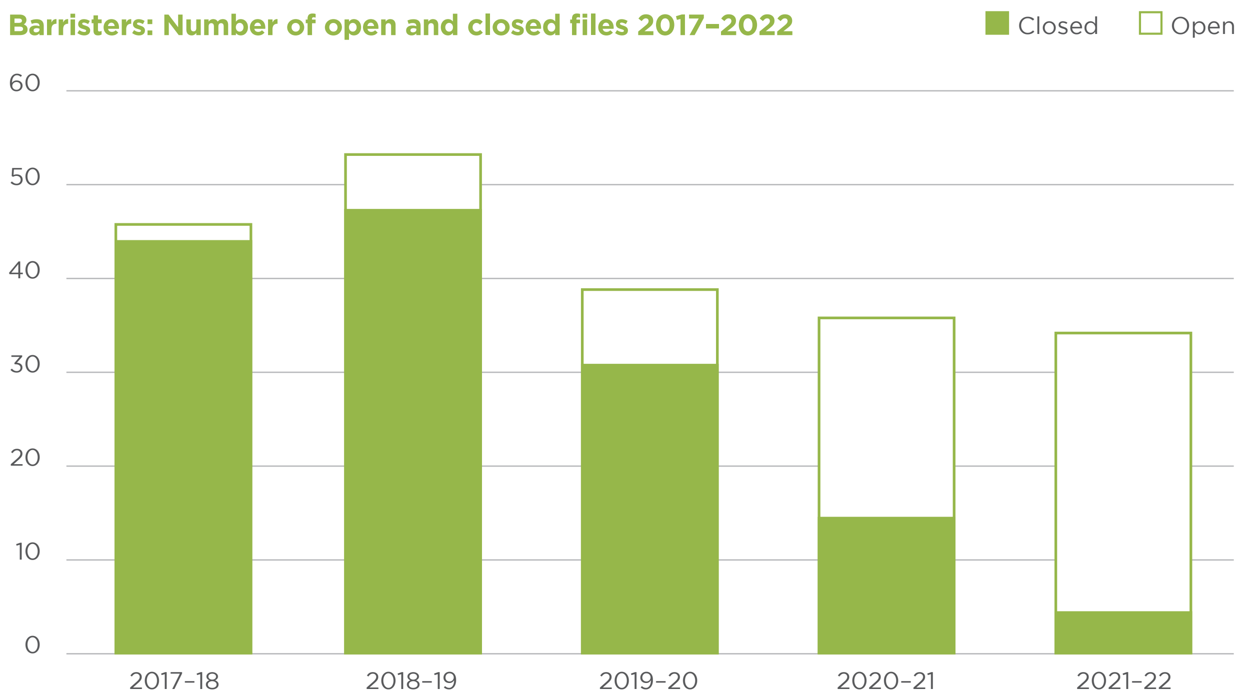
Claims against barristers arose from:

- drafting errors in pleadings, e.g. naming the wrong defendant
- incorrect or inadequate advice, about the correct jurisdiction, when an application to issue a statutory demand must be issued, the operation of a liquidated damages clause in a building contract, and the merits and prospects of claims
- issues with the conduct of hearings, including cross-examination of witnesses, reliance on a hearsay notice, admissibility of evidence, making admissions without instructions, errors in final orders, and acting in a conflict of interest. While these types of claims can often be defended on the basis of advocate's immunity, it does not prevent the claims being brought or defence costs being incurred
- revisited settlements, with allegations that settlements were entered into under duress and with inadequate advice
- allegations of defamatory comments made by barristers.

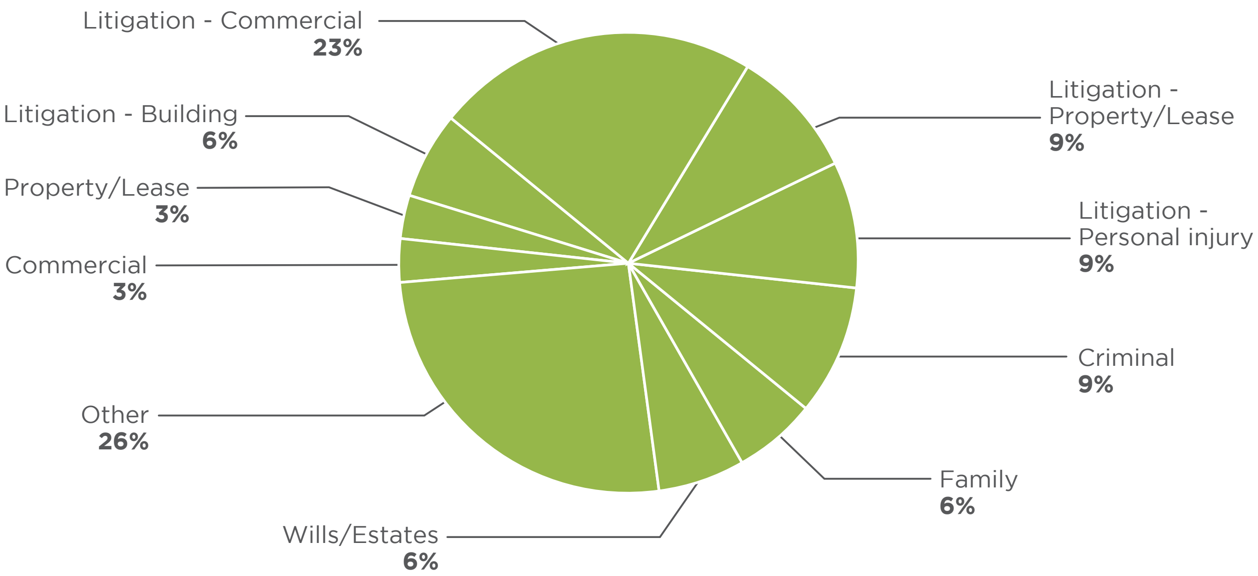
Barristers: Cost of paid and unpaid claims 2017–2022 ($m)



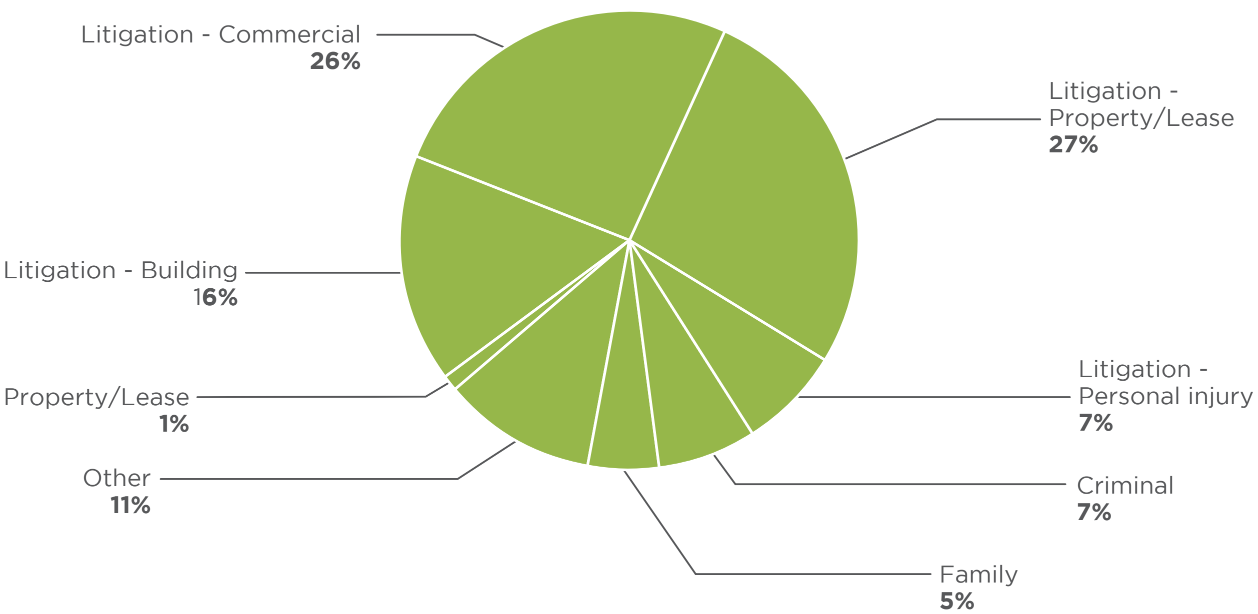
Barristers: Number of open and closed files 2017–2022



Barristers: Percentage number of claims and notifications by area of practice 2021–2022



Barristers: Percentage cost of claims and notifications by area of practice 2021–2022



RISK MANAGEMENT

LPLC's risk management services contribute significantly to our strategic objectives of protecting the interests of legal practitioners and their clients and maintaining public confidence in the legal profession.

Risk management activities are multipronged to address the variety of risk issues and target underlying causes of claims. With continued COVID-19 restrictions and ongoing uncertainty during the year, our monthly webinar education sessions remained the focus of our risk management live education events. Over 11,074 registered for webinars with a range of 65 to 80 percent attendance rate. Our risk assistance program discussions were done partly in person and partly by video conference. Our risk awareness publications and phone contact with practitioners continued throughout lockdown restrictions. The webinars and publications addressed COVID-19 related issues as well as legal issues, practice management systems and behavioural issues emerging from the underlying causes of claims.

This year we developed a Practice Health Check online tool to help firms assess their practice management needs. The tool allows firms to reflect on how they are managing their practice, once they respond to a series of questions relevant to their firm size and receive a report on what areas of practice management they could improve to strengthen their risk management maturity. The tool was launched on our website in early March 2022 and has had over 380 interactions, with over 280 reports generated. We also continued our focus on conveyancing as the source of a high cost and number of claims as well as managing the ever growing cyber risk.

Initiatives for the safer practise of conveyancing

Our Conveyancing Best Practice Program continued this year, looking at sample contracts and section 32 statements, and providing feedback to practices on their compliance with legislative requirements. Practitioners participating in the program found this 'peer review' a valuable and effective service.

We ran four conveyancing specific webinars covering topics that are significant issues in our conveyancing claims. The topics covered issues with titles, caveats, conflicts and verification of identity. We also ran three webinars with external tax experts looking at stamp duty and land tax, the recent revenue ruling on land development and windfall gains tax and economic entitlement duty. The sessions were booked out in record time and provided training to improve practitioner understanding of the legal issues and appropriate practice in each of these areas of conveyancing practice. Excellent feedback was received for each of these webinars with attendees listing various key risk management strategies as their 'biggest take away'.

Increasing legal understanding of conveyancing risks and pitfalls was also achieved through a range of articles published on our website and in the

Law Institute Journal as well as three alerts on sub-sale duty, windfall gains tax and economic entitlement duty. New flowcharts were produced to help practitioners navigate the risks of the land development duty and foreign purchaser additional duty and conveyancing checklists and client questionnaires were revised.

Our GST and general enquiries lines received more than 1000 calls from practitioners looking for property-related risk management support.

Addressing cyber risks

Cyber security continues to be a major threat for law firms. We were made aware of a number of firms whose email accounts were compromised, though not all instances resulted in claims. Some instances of ransomware attacks were also reported.

Law practices handling significant electronic funds transfers in matters involving conveyancing, probate, family law and litigation matters were the targets again this year.

Our continuing cyber campaign this year built on and added to the significant work done last year. We produced six short animated cyber risk videos which covered the essential messages of:

- verify bank account details in emails and PDFs
- multifactor authentication is a security essential
- cyber security awareness training is an essential part of workplace training
- ideas to maintain cyber vigilance
- warn clients about cyber risks
- put a cyber incident response plan in place.

We also produced a podcast on the topic of cyber risk with Susie Jones from Cynch.

Cyber risk management featured in our workshops for principals of new firms, our risk component of all of the practice management courses in Victoria and the practical legal training risk session LPLC presents for the College of Law.

We published two alerts on cyber risk issues including the importance of multifactor authentication and the Australian Cyber Security Centre's (ACSC) recommendations for enhancing cyber security posture.

The impact of this activity has increased awareness and diligence of many staff and law firms, who have introduced verification procedures for checking email instructions in relation to electronic funds transfers.

Direct contact with firms

BEST PRACTICE PROGRAM

Following on from the Conveyancing Best Practice Program this year, we introduced a Private Lender Review Program that involved a new comprehensive checklist for acting for private lenders, and then a service for firms acting for private lenders to help them consider their current practices and whether their documentation and processes are appropriate.

A similar program has been developed for will preparation best practice with a wills instruction sheet and file note designed and published and a program of reaching out to firms planned and soon to be implemented.

HELPING NEWLY ESTABLISHED FIRMS

LPLC continued its three risk management contact points with principals establishing new firms.

1. presentation via webinar of the risk management module of each of the practice management courses available for new principals in Victoria offered by the Law Institute of Victoria (LIV), College of Law and Leo Cussen Institute
2. phone or email contact initiated when a new practice is opened, introducing the range of practice support materials available from LPLC
3. invitation to attend one of our Building Quality Legal Practice workshops where small groups of practitioners, all starting their own firms, are introduced to each other and provided with guidance on business strategy and key risk issues to consider when growing a sustainable legal practice.

The workshops were predominantly run by video conference and attracted not only principals of new firms but also principals of existing firms looking for further practice management assistance. Face to face workshops were reintroduced in April 2022 that focus on LPLC's Quality Legal Practice Management Framework.

We continued to present at the two Bar Readers Courses this year, providing an introduction to LPLC and the causes of barristers' claims.

These activities build rapport with practitioners particularly when they are starting a new phase in their career, open up networking opportunities, and help them put good risk management strategies in place from the outset.

CONSULTING WITH THE PROFESSION

We engaged with various members of the profession seeking feedback on various checklists, forms and online prototype projects. This contact has helped us better design our risk management initiatives and also helped us build further rapport with the profession and provided the practitioners involved with a deeper understanding of the risk issues.

RISK ASSISTANCE PROGRAM

Our Risk Assistance Program meetings were largely conducted via video conference. The program involved targeted meetings with firms whose claims data indicated a need for special assistance to address the occurrence of multiple claims made against them by clients.

These visits entailed in-depth discussion about the firm's specific risk management strategies and development of a tailored practice management improvement report.

All participating firms reported positive feedback on this program.

RISK MANAGEMENT ASSISTANCE

LPLC answered over 2000 matter specific risk enquiries on our general enquiry service and specific GST enquiry service. These enquiries are received by phone or email and gave practitioners access to objective risk advice and an opportunity to talk through things concerning them.

Through these enquiries we were often able to direct practitioners to resources that not only helped solve their immediate query, but also provided information and resources to increase their own knowledge and understanding of practice areas.

Ad hoc telephone and email assistance of this nature helps practitioners make more informed decisions and aims to minimise the risk of claims occurring.

LARGE FIRM RISK MANAGERS NETWORK

Large and mid-tier firms all have dedicated staff tasked with responsibility for leading risk management functions within their firms. The number and scope of these roles has grown considerably in the last 10 years, and LPLC's risk and claims solicitors interact with them in a variety of ways and on a broad variety of topics.

We reintroduced the Melbourne Risk Managers meetings that were previously stalled due to COVID-19 restrictions, holding the first one in April 2022 which was well attended. LPLC will continue to convene meetings of this group on a quarterly basis.

This year we piloted a three-part supervision inhouse program for law firms. The program consisted of tailored webinars for young lawyers, mid-career lawyers and partners focusing on their role in the supervision process and providing a shared language for all staff.

We delivered a tailored large firm risk management session for the practice management course. This session was well received, and participants developed effective risk management actions to implement in their practice.

Raising awareness of claims and their causes

A core part of our risk management program is the analysis of the root causes of negligence claims made against practitioners during the year. This analysis informs LPLC's publication of materials and speaking engagements to raise awareness of the causes and appropriate mitigation strategies for firms to avoid re-occurrence.

Our practice risk guides are flagship publications for the risk issues in the major areas of legal practice. This year we published a new practice risk guide for barristers titled *Good Counsel – Practice Risk Guide for Barristers*. It is the first of its kind, providing an overview of the types of claims made by barristers in Victoria and recommendations for avoiding the underlying mistakes.

We are continually monitoring what is happening in our claims notifications and what is happening in the legal environment to assess what risks practitioners are facing. Each month we provided practitioners with a new article as well as a copy of our LIJ article on a topical risk issue as well as recommendations for existing resource material on our website.

Each week our subscriber email feed sends practitioners topical risk management articles and resources directly to their inbox.

Errors involving advice on what duty is payable by clients was a focus for this year as claims increased from State Revenue Office audits. Articles and alerts were written on foreign purchaser additional duty, double duty incurred from nominations as well as emerging risk areas of windfall gains tax and economic entitlements.

Some of the other new topics covered during the year were:

- conflicts in acting for multiple parties
- transfers of land between related parties
- checking spousal duty exemptions
- handling trust money
- Harman obligations
- defamation law traps
- managing the risks of staff turnover
- personal injury time limits.

Podcast

A new podcast series was introduced this year called *More than knowing the law* that explores how to minimise and manage risk through building good business culture and approaches. The series shares the experiences of practitioners and other expert guests to shine a light on the various ways risk issues for lawyers can be addressed. The topics covered included cyber security, good systems and processes, supervision, the impact of COVID-19 on smaller firms, the mindset for starting your own practice and how one lawyer did it, as well as navigating difficult conversations.

In 2021–2022, *More than knowing the law* had over 2100 listens.

Working with regulators and professional associations

We continued meetings, phone calls and correspondence with staff from the Victorian Legal Services Board + Commissioner (VLSB+C) and the Law Institute of Victoria, discussing issues of mutual concern, trends and problems affecting the legal profession, particularly concerns arising from the impact of COVID-19.

We have regularly provided material to the VLSB+C for their monthly email newsletters to practitioners, and highlighted resources from the VLSB+C and LIV in our subscriber emails to the profession. LPLC staff spoke at several events throughout the year for the LIV and at regional and suburban associations.

Risk management activity	2021–2022
SPEAKING ENGAGEMENTS	Number (audience)
Conveyancing Series webinars	5 (4,065)
Webinar series	5 (3,884)
Building Solid Foundations / Building a quality legal practice	15 (241)
Large firm event	1
Practice management course presentation on risk management (run by LIV, College of Law and Leo Cussen)	19
College of Law Practical Legal Training course	14
In-house presentations to law firms	12
Presentations to other external groups	11
Victorian Bar Reader's Course	2
PUBLICATIONS	
LPLC Articles/Newsletters	13
Law Institute Journal articles	11
Bar News article	1
Risk management alerts on changes in law or practice	5
Checklists and practitioner resources	10 new, 6 revised
Practice Risk Guides	1 new
Practice management tool (Practice Health Check, file note)	2
CONTACT WITH FIRMS	
Telephone and email enquiries	1,885
New firm phone contact	285
GST hotline	298
Cyber incident calls	19
Conveyancing Best Practice Project (CBPP) reports / visits	5
Risk Assistance Visits - RAP	30
Practice assistance meetings	20

SUPPORTING AUSTLII

The Australasian Legal Information Institute (AustLII) is the largest free-access provider of online Australian legal materials and an invaluable risk management resource for insured solicitors and barristers.

The AustLII databases are widely used by the profession and the Courts on a daily basis and contribute meaningfully to the cost-effective delivery of legal services and access to justice for the broader community.

The AustLII Foundation operates as a charity and relies heavily on public donations to fund its operations. LPLC has been a significant financial contributor to AustLII since 2007 to ensure it continues this vital work.

LPLC and AustLII share the same ideal to serve the public interest and our financial contribution supporting AustLII's work since 2007 now exceeds $750,000.

We are proud to be continuing our association with AustLII.

INVESTMENTS

LPLC's primary investment purpose is to achieve long term real growth in the investment portfolio to ensure sufficient funds are available to meet liabilities when they fall due, and to maintain competitive and stable premiums and an appropriate solvency level.

The fund seeks to achieve a return of CPI + 3 per cent over a rolling five-year period.

The Legal Practitioners' Liability Fund continued as a balanced fund with an average allocation of 60 per cent to growth assets and 40 per cent to defensive assets. Within its growth portfolio, LPLC maintains a diverse portfolio of investments.

Investment returns for the 2021–2022 financial year were impacted by significant geopolitical factors including supply chain disruptions resulting from climate events and ongoing COVID-19 related disruptions, higher inflation forecasts and the uncertainty around central banks responses to rising rates of inflation and the Russia-Ukraine conflict. The investment loss for the reporting period was 2.56 per cent, with the fund's average return over the last five years at 5.02 per cent.

Australian and international equities experienced significant variation across the reporting year, with a mixture of positive and negative returns. Equities were weighted in favour of international investments, with a lower exposure to Australian equities. There was an exposure to hedged and unhedged funds within the international equities to address currency fluctuation risk.

LPLC maintains an investment in unlisted wholesale commercial property, which has provided diversity in the growth portfolio. This investment has, over time, provided steady returns through fluctuations in markets for equities, with the 2021–2022 year yielding a positive return.

Willis Towers Watson Australia Pty Ltd continued as investment advisers to the Committee during the reporting period.

Sustainability

LPLC, through its investment advisers, considers material sustainability issues in all investment decisions. Additionally, a sustainability scorecard is utilised on an annual basis to assess the sustainability performance of LPLC's portfolio against a reference portfolio. The scorecard measures LPLC's portfolio against a range of environmental, social and governance (ESG) factors, including:

- portfolio resilience
- carbon footprint
- climate impact
- proportion of revenue generated from industries exposed to both climate opportunities and climate risks; and
- investment manager integration of environmental, social and governance considerations into their investment strategies.

During the 2021–2022 year, LPLC's portfolio was subject to an annual sustainability review, utilising the sustainability scorecard to measure LPLC's portfolio performance compared to comparable portfolios.

LPLC's portfolio scored favourably or neutrally against a comparator 60/40 portfolio in all metrics, with the exception of carbon footprint where proxy scores were used for LPLC's unlisted infrastructure funds as actual data was not yet available.

Fund managers

Funds were held with the following managers:

Australian Equities

- Vanguard Australian Shares Index Fund

International Equities

- GQG Global Equity
- Real Index Global Share Fund
- Schroder Emerging Markets Fund
- Ardevora Global Long Only Fund
- Fulcrum Australian Diversified Absolute Return Fund
- Vanguard Ethically Conscious Index Fund

Property

- Dexus Wholesale Property Fund

Infrastructure

- Palisade Diversified Infrastructure Fund
- Lighthouse Infrastructure Fund Trust

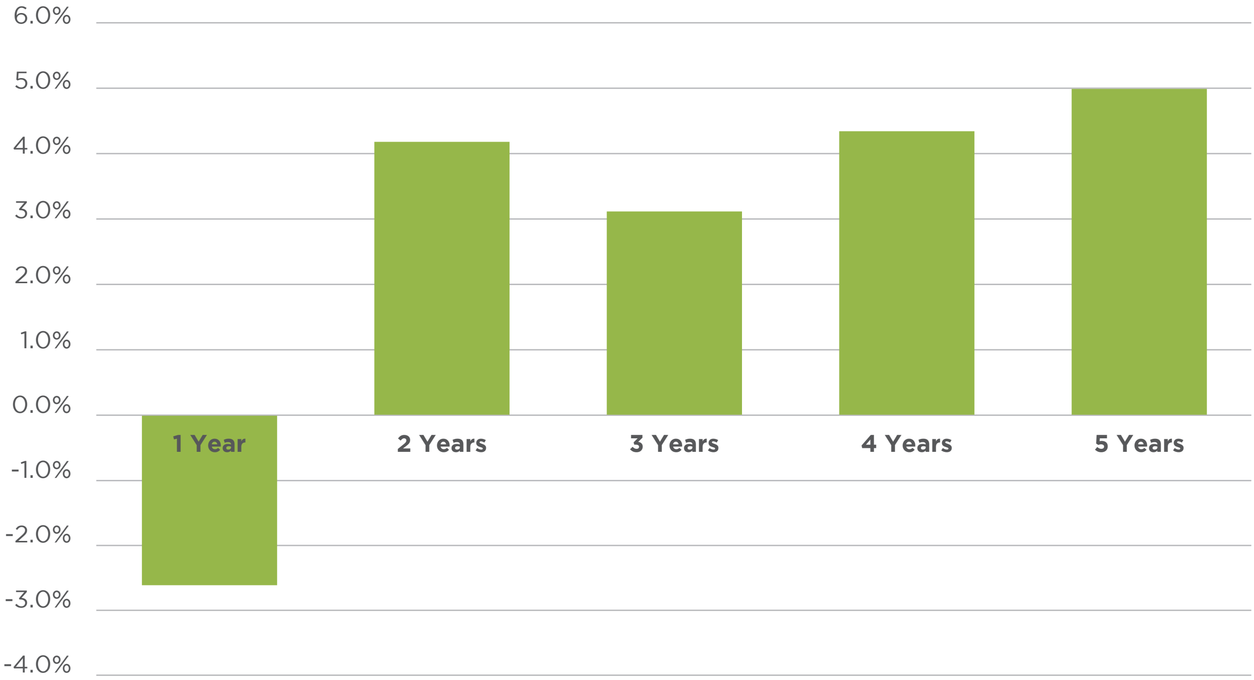
Cash

- Cash was invested by way of term deposits with Westpac and National Australia Bank
- Vanguard Australian Government Bond Index Fund

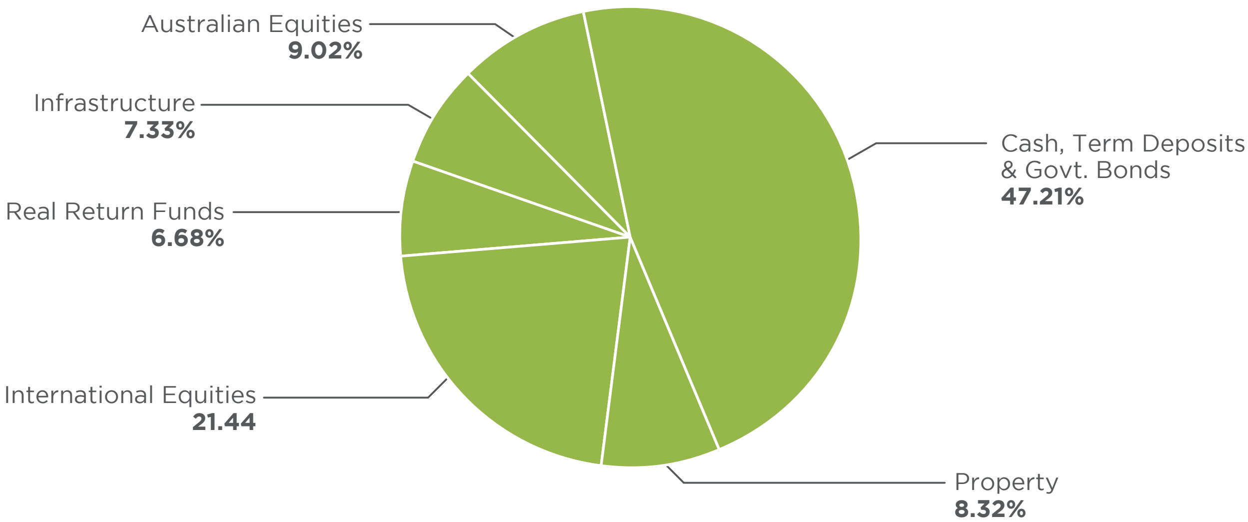
LPLC has also subscribed future investment (awaiting drawdown) to the following managers:

- Barwon Institutional Healthcare Fund (property)
- Palisade Impact Fund (infrastructure)

Investment return over different time horizons (%)



Asset allocation as at 30 June 2021



LEGAL PRACTITIONERS' LIABILITY COMMITTEE

John Corcoran AM
Chairperson

John Corcoran AM is Principal at the law practice of Russell Kennedy and was Chair of that firm for 10 years until 30 June 2017. He is Deputy Chair of Mercy Health and a board member of the Foundation for Surgery of The Royal Australasian College of Surgeons.

He has been a board member of the Legal Services Board as well as the International Bar Association. He is also a past President of the Law Institute of Victoria and was President of the Law Council of Australia in 2009.

He is a Law Institute of Victoria Accredited Specialist in Commercial Law. His experience as a commercial lawyer is in the areas of commercial property, retirement and aged care, as well as sale and purchase of business and corporate governance.

John was appointed to the Committee in 2013 and has been LPLC's Chair since 2015.

Danny Barlow
Committee Member

Danny has practiced as a solicitor in Victoria since being admitted to practice in 1996. He is currently a director of Dawes & Vary Riordan, a large regional law firm with multiple offices in various regional towns including Shepparton, Kyabram, Cobram and Tatura.

Danny practices primarily in agribusiness, commercial litigation and employment law. In addition to his legal practice, Danny is a former executive member of the Law Institute of Victoria, including serving as President in 2009. He has also served as a director of the Law Council of Australia. He remains a member of the Ethics Committee of the Law Institute of Victoria.

Danny was first appointed to the Committee in 2018.

Adrian Finanzio SC
Committee Member | Chair Investments Committee

Adrian has served on the Committee since 2016 and is currently the chair of Investment Sub-Committee.

Adrian was admitted in 1996, was called to the Victorian Bar in 1998 and took silk in 2012. He served on the board of Barristers' Chambers Limited for 11 years, including as acting Chair. He served on the Bar Council in three terms, most recently in 2019 and 2020.

He was Counsel Assisting the Royal Commission in relation to the Casino Operator's Licence. Adrian is a member of the Heritage Council of Victoria. He is also a Graduate member of the Australian Institute of Company Directors and serves and has served as a non-executive and executive director on boards over the last 10 years. Adrian has taught at both Monash University and the University of Melbourne, and served as the deputy chair of the Readers' Course Committee of the Bar for 10 years.

Patricia Kelly
Committee Member | Chair Remuneration and Appointments Committee

Tricia has over 35 years' experience in the Financial Services industry. Tricia is the former Executive General Manager Strategy & Business Development Personal Insurance at Suncorp, and previously Executive Director of Norwich Union Life Australia. She is a Past President and Honorary Life Member of the Insurance Institute of Victoria and a former Director of the Australian and New Zealand Institute of Insurance & Finance.

She was appointed an independent non-executive Director of RACV Limited in 2010, and also currently Chairperson of Ansvar Insurance Limited & RACT Insurance Limited.

Tricia was first appointed in 2010 and retired from the Committee in December 2021, having completed 12 years of outstanding service.

Helen Thornton
Committee Member | Chair Audit and Risk Committee

Helen, a chartered accountant for over 35 years, has extensive experience in governance, audit and risk management.

She has held senior leadership roles at Deloittes, KPMG and BHP Ltd as well as BlueScope Steel Ltd where she was responsible for the global risk management and insurance program. Helen has been a non-executive director for over 20 years and is an experienced Chair of Audit and Risk Committees. She is currently on the boards of McPherson's Ltd, ISPT Pty Ltd, Ansvar Insurance Ltd, Treasury Corporation of Victoria and Yarra Valley Water.

Helen was first appointed to the Committee in 2014.

Michelle Dixon
Committee Member

Michelle is a partner of Maddocks, an Australian law firm with offices in Melbourne, Sydney and Canberra. She was the firm's CEO between 2014 and 2020.

Michelle is a member of a number of advisory and fiduciary boards including In-Life Independent Living Limited, The Nature Conservancy, Women and Leadership Australia and Global Sisters Limited.

A strong advocate for women in leadership, Michelle's contribution to the profession was recognised by being awarded both the Victorian Award for Excellence in Women's Leadership and Executive of the year at the Lawyers Weekly Women in Law Awards in 2016, and in 2019 being named as NSW Women Lawyers' Change Champion of the Year.

Michelle was appointed to the Committee in 2020.

Nicole Rich
Committee Member

Nicole is the Executive Director, Regulatory Services and Director, Consumer Affairs at the Victorian Department of Justice & Community Safety. She was formerly the Executive Director Family, Youth and Children's Law and for the Gippsland region at Victoria Legal Aid.

Experienced as a consumer advocate and in the development of legal research and policy, including as a former Director Policy and Campaigns at the Consumer Action Law Centre, Nicole has also worked as a lawyer across private practice and within the community legal sector. Nicole has also served on a number of public interest boards and committees including as Chairperson of CHOICE (2013–2017).

Nicole was appointed to the Committee in 2020.

Mark Valena
Committee Member

Mark has held several leadership roles in the insurance and health sectors, serving as director, CEO and executive.

For 13 years Mark served as CEO of GMHBA Limited, a top 10 health insurer and regional health care provider. Major features of his leadership focused on revitalising the organisation's purpose, strategy, scale and culture.

In addition to his role on the Committee, Mark is now the chair of a general insurer, and a non-executive director of two other entities including a disability services organisation and a health insurer.

Mark brings a wealth of experience in insurance, including in professional indemnity. He has a deep understanding of strategy development, capital and financial management, reinsurance, and risk management.

Mark's appointment to the Committee commenced in January 2022.

ORGANISATIONAL STRUCTURE

Committee and sub-committees

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

John Corcoran AM | Chair

Helen Thornton | Danny Barlow

Patricia Kelly (Until 31 December 2021) | Adrian Finanzio SC

Michelle Dixon | Nicole Rich

Mark Valena (from 1 January 2022)

AUDIT AND RISK COMMITTEE

Helen Thornton | Chair

Patricia Kelly (until 31 December 2021)

Danny Barlow

Michelle Dixon

Mark Valena (from 1 January 2022)

REMUNERATION AND APPOINTMENTS COMMITTEE

Michelle Dixon | Chair

John Corcoran AM

Patricia Kelly (until 31 December 2021)

Danny Barlow (from 19 April 2022)

INVESTMENT COMMITTEE

Adrian Finanzio SC | Chair

John Corcoran AM

Nicole Rich

LPLC Staff

Chief Executive Officer
Justin Toohey

Kerrie Billings
Executive Officer – People, Compliance and Projects

Chief Operating Officer
Paul Quayle

Claims

Head of Claims
Jodie Potts

Claims Managers
Prue Campton
Bronwyn Hine
Alex Macmillan
Ryan Lee
Alix Osborn

Claims Administration
Jenny Aitken
Jackie Miller
Lauren Dickenson
Helen King

Risk Management

Chief Risk Manager
Heather Hibberd

Risk Managers
Stephen Bubb
Phil Nolan
Rebecca Kelton

Admin & Events Coordinator
Suzana Bonnici

Administrative Assistant
Lauren Kerr

Communications

Digital Communications Manager
Tracey Johnston

Communications Officer
Emily D'Elia

Corporate Services

Corporate Services Manager
Bernadette Mallia

Administration
Inge Gallery

Insurance & Finance

Chief Financial Officer
Martin Dohnt

Insurance Officer
Terri Hedt
Sharon Mead

GOVERNANCE

LPLC provides professional indemnity insurance and risk management services for law practices.

The Committee:

- provides professional indemnity insurance for law practices
- oversees and monitors the affairs of the LPLC
- determines the terms of and submits policies of professional indemnity insurance for legal practitioners in Victoria for approval by the Victorian Legal Services Board
- oversees the investment of the Legal Practitioners' Liability Fund (the 'Fund')
- develops policy relating to national practice issues and professional indemnity insurance
- recommends the implementation of effective risk management for legal practitioners.

The Audit and Risk Committee comprised Helen Thornton (Chair), Patricia Kelly (until 31 December 2021), Danny Barlow, Michelle Dixon and Mark Valena (from 1 January 2022).

The Audit and Risk Committee oversees LPLC's:

- financial reporting
- finances and budgeting procedures
- actuarial and reserving functions
- internal risk and control environment
- corporate governance and regulatory compliance
- internal and external audits.

The Investment Committee comprised Adrian Finanzio SC (Chair), John Corcoran AM and Nicole Rich.

The Investment Committee:

- makes recommendations to LPLC on benchmarks, asset classes and asset allocation
- monitors the Fund's investment strategies and performance
- makes recommendations to the Committee on the appointment of fund managers and investment advisers.

The Remuneration and Appointments Committee comprised Patricia Kelly (Chair until 31 December 2021), Michelle Dixon (Chair from 1 January 2022) John Corcoran AM, and Danny Barlow (from 19 April 2022).

The Remuneration and Appointments Committee:

- advises and makes recommendations to LPLC in relation to nominations to the Legal Services Board for appointment of the Chair and Committee members
- advises and makes recommendations to LPLC in relation to the appointment, remuneration and performance review of the CEO
- oversees executive succession planning, staff remuneration and people matters.

Committee meeting attendance 2021–2022

	Committee		Investment		Audit & Risk		Remuneration & Appointments	
	Attended	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**
John Corcoran AM	9	9	3	4	-	-	3	3
Patricia Kelly	5	5	-	-	2	2	2	2
Helen Thornton	8	9	-	-	4	4	-	-
Adrian Finanzio SC	6	9	4	4	-	-	-	-
Danny Barlow	9	9	-	-	4	4	1	1
Michelle Dixon	9	9	-	-	4	4	3	3
Nicole Rich	9	9	4	4	-	-	-	-
Mark Valena	4	4	-	-	2	2	-	-

Executive management team

Justin Toohey
Chief Executive Officer

Justin was appointed as Chief Executive Officer in 2018, having previously served as Deputy CEO and Head of Claims at LPLC since 2005.

Prior to joining LPLC, Justin's career spanned five years in a senior executive position with the Institute of Architects' professional indemnity scheme and 15 years in private legal practice; including time as a partner with Tress Cocks & Maddox where he specialised in professional indemnity litigation as a panel solicitor to LPLC

Paul Quayle
Chief Operations Officer

Paul was appointed as Chief Operations Officer from 31 January 2022. Prior to joining LPLC Paul's leadership career spanned the healthcare, transport, technology and education sectors, including five years as COO of a private healthcare company in New Zealand. Paul has a passion for sustainable, people-centric business, and is a strong advocate for the use of technology and data in achieving business goals.

Martin Dohnt
Chief Financial Officer

Martin joined the Committee as Chief Financial Officer in January 2014.

Martin manages LPLC's accounting, finance and payroll functions. Prior to commencing at LPLC, Martin worked in the financial services industry for over 20 years holding senior finance management positions at Defence Force Credit Union and ASG Friendly Society.

Heather Hibberd
Chief Risk Manager

Heather was appointed Chief Risk Manager in 2010 having previously served as a risk manager with LPLC since 2001.

Prior to joining the LPLC Heather was an insurance litigation solicitor for eight years with Minter Ellison, specialising in professional indemnity claims defending legal practitioners and hospitals.

Tracey Johnston
Digital Communications Manager

Tracey has been with LPLC since 2018 and has worked as a communications professional for 21 years in the not-for-profit sector with a focus on health and Aboriginal and Torres Strait Islander initiatives. Tracey is responsible for the development, implementation and management of LPLC's communications strategy. With a specialty in online communications, she is responsible for the website, social media and all digital communications produced by LPLC.

Bernadette Mallia
Corporate Services Manager

After working in the property/leasing department of several city law firms, Bernadette joined the Committee in 1988. In addition to supervising the annual renewal of insurance and overseeing the maintenance of the LPLC database, Bernadette is the reference point for insured practitioners, LPLC service providers and other stakeholders.

Jodie Potts
Head of Claims

Jodie joined LPLC in 2018 as Head of Claims.

Prior to joining LPLC in January 2018 Jodie was a partner in the professional indemnity team of Moray & Agnew, Melbourne, having joined that firm in 2006 from Herbert Geer & Rundle. Jodie is an experienced insurance litigator with strong property and commercial dispute resolution experienced having worked for Australian and international insurers across a wide range of business classes.

Kerrie Billings
Executive Manager – People, Compliance and Projects

Kerrie joined LPLC in 2020. After running her own successful business managing legal associations for 17 years, Kerrie further honed her skills as the practice manager of a mid-sized law firm. A move in location bought her to the LPLC in 2020 where she provides support to the team through her role in People, Compliance and Projects.

SUPPLEMENTARY INFORMATION

Legislation administered by the Committee

The Legal Practice Act 1996 —
1 July 2005 to 11 December 2005.

The Legal Profession Act 2004 —
12 December 2005 to 30 June 2015.

The Legal Profession Uniform Law Application Act 2014 —
1 July 2015 to 30 June 2022.

Financial management regulations

The information specified in the Financial Management Regulations has been prepared and is available on request to the Attorney-General, Members of Parliament and the public.

Public Interest Disclosures

LPLC is committed to the objectives of the *Public Interest Disclosures Act 2012* (Vic).

LPLC recognises the value of transparency and accountability and will support the making of any disclosures pursuant to the *Public Interest Disclosures Act 2012* (Vic).

LPLC has established procedures for protecting people against detrimental action that might be taken in reprisal for making public interest disclosures.

Our policy on how we handle public interest disclosures is available from our office on request. Under this legislation, disclosures of improper conduct or detrimental action by Committee members or Committee staff should be made to the Independent Broad-based Anti-corruption Commission:

Independent Broad-based Anti-corruption Commission

Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000
Tel: 1300 735 135 Fax: 03 8635 6444
Website: www.ibac.vic.gov.au

Compliance with the Building Act 1993 (Vic)

LPLC does not own any buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993* (Vic).

Categories of documents held by LPLC

- applications by legal practitioners for insurance
- assessment notices
- notifications by legal practitioners of claims or circumstances likely to give rise to claims
- board papers and minutes for LPLC and LPLC sub committees
- management records
- administration records
- accounting records
- library material.

Freedom of information

LPLC received no requests pursuant to the *Freedom of Information Act 1982* (Vic) for the reporting period.

Publications

LPLC continues to publish relevant information on its website www.lplc.com.au

Occupational health and safety

LPLC continued its commitment to occupational health and safety (OH&S) compliance during the reporting period and undertook a range of initiatives to support staff health, safety and wellbeing including ergonomic assessments, flu vaccinations, and mindfulness activities.

During the COVID-19 lockdown, management were particularly mindful of the stress of working from home and the isolation involved and worked to accommodate each team member with their individual requirements. LPLC continued an Employee Assistance Program during the year to provide additional support by way of a work-based intervention program designed to enhance the emotional, mental and general psychological wellbeing of all employees and immediate family.

Six staff members are trained mental health first aid officers and staff are now updating their first aid certificates with the restrictions lifting.

All issues relating to safe workplace practices are regularly considered and reported at staff meetings. LPLC's Audit & Risk Committee also monitors occupational health and safety risks on a quarterly basis.

As in the previous year, there were no reported OH&S-related incidents in the reporting year.

Workforce data

The Committee undertakes an annual performance appraisal and salary review of the Chief Executive Officer (CEO). The CEO and Executive Managers conduct annual performance reviews of their respective direct reports.

Internal staff training sessions were held regularly throughout the year addressing a variety of topics including mindfulness, cyber security and risk management. Staff members also attended a variety of virtual external courses and conferences.

Staff members can raise grievances or other issues privately with the COO, CEO, Corporate Services Manager or LPLC external HR consultant at any time. Alternatively, matters can be raised with a member of the Committee.

2021–2022

Position	Male	Female	Total
Chief Executive Officer	1		1
Chief Operations Officer	1		1
Chief Financial Officer	1		1
Claims Manager	1	5	6
Risk Manager	2	2	4
Corporate Services Manager		1	1
Digital Communications Manager		1	1
Communications Officer		1	1
Insurance Officer		2	2
Receptionist/Administration		7	7
Total			**25**

2020–2021

Position	Male	Female	Total
Chief Executive Officer	1		1
Chief Financial Officer	1		1
Claims Manager	1	5	6
Risk Manager	2	2	4
Corporate Services Manager		1	1
Digital Communications Manager		1	1
Communications Officer		1	1
Insurance Officer		2	2
Receptionist/Administration		5	5
Total			**22**

Environmental issues

LPLC has an environmental management plan (EMP) which assists to manage the environmental impact of day to day business activities.

Monitoring the EMP has been allocated to a team within the office led by the Corporate Services Manager.

The plan covers the 2021–2022 reporting year and covers energy consumption, waste generation and paper consumption.

Energy consumption

Total energy usage was approximately 34,465.65 kWh compared to 40,183.41 kWh in 2020–2021 and the energy used per square metre of office area was 48.88kWh compared to 57.40 kWh in 2020–2021. kWh of energy used per FTE was 1531.807. Part of this reduction in energy usage was attributable to staff working from home due to COVID-19 restrictions.

The 2021–2022 target was to maintain the level achieved in the previous year. We exceeded this target and reduced our energy usage by 14 per cent. Our 2022–2023 target is to maintain this level for the year.

Waste generation

LPLC monitors the levels of waste generated by its operations and staff. Building management provides a commingled recycling service which has assisted greatly in reducing waste generated by LPLC sent to landfill.

LPLC reduces electronic waste generation through recycling of all computer components, CDs, DVDs, used printer cartridges, redundant dictating equipment, mobile phones, landline phones and any other computer peripherals by using a not-for-profit recycling service, Byte Back.

Paper consumption

LPLC has a policy to only purchase printers that are capable of double-sided copying, defaulting all communal printers to double sided, and using electronic documents instead of paper whenever possible.

The majority of LPLC's paper and cardboard waste is recycled through a secure paper recycling contractor who recover 98.5 per cent of the material collected.

The 2021–2022 target was to maintain the previous year's consumption given the large reduction from 2019–20. This year, the consumption dropped from 5.75 A4 reams/FTE to 4.22 reams/FTE.

Transport

LPLC does not operate a fleet of vehicles for business use and has a travel policy which includes the purchase of carbon credits for all air travel undertaken.

Competition policy

Until 11 December 2005 section 227A of the *Legal Practice Act* provided:

'For the purposes of the *Trade Practices Act 1974* of the Commonwealth and Competition Code, the entering into and performance of a contract of professional indemnity insurance by a person or firm and the Liability Committee under sections 224, 225, 226 or 227 is authorised by this Act.'

From 12 December 2005 until 30 June 2015 section 3.5.5 of the *Legal Profession Act 2004* provides:

'For the purposes of the *Trade Practices Act 1974* of the Commonwealth and Competition Code, the entering into and performance of a contract of professional indemnity insurance by a law practice and the Liability Committee under this Part is authorised by this Act.'

From 1 July 2015 section 119 of the *Legal Profession Uniform Law Application Act 2014* provides:

'For the purposes of the *Competition and Consumer Act 2010* of the Commonwealth and Competition Code, the entering into and performance of a contract of professional indemnity insurance by a law practice and the Liability Committee is authorised by this Act'.

Consultants

Consultants each year provide specialist advice to assist with decision making and risk management programs. During 2021–2022 total consultant expenditure as defined by the *Financial Management Act 1994* (Vic) was approximately $416,894.

Finity Consulting Pty Ltd — Actuaries

During the reporting year Finity Consulting was engaged to provide pricing advice and other ad hoc actuarial consulting services. Expenditure for the reporting period was $75,743. Finity Consulting has been retained again for the 2022–2023 period.

Cumpston Sarjeant — Actuaries

During the reporting year LPLC obtained half-yearly valuation reports of outstanding liabilities and other ad hoc actuarial advice from Cumpston Sarjeant. The consulting fee paid to this firm for the reporting period was $81,680. Cumpston Sarjeant has been retained again for the 2022–2023 reporting period.

Willis Towers Watson — Investment advisors

During the year Willis Towers Watson continued to be engaged as LPLC's Investment advisers for which consulting fees of $259,471 were paid.

Contact details

Legal Practitioners' Liability Committee
Level 31, 570 Bourke Street
MELBOURNE VIC 3000
ABN: 45 838 419 536
Telephone: (03) 9672 3800
Facsimile: (03) 9670 5538
Website: www.lplc.com.au

Declarations of pecuniary interests

Declarations of pecuniary interests have been duly completed by Committee members and relevant staff.

Legal Practitioners Liability Committee Financial Management Compliance Attestation Statement

I John Corcoran AM, on behalf of the Responsible Body, certify that the Legal Practitioners' Liability Committee has no Material Compliance Deficiency with respect to the applicable Standing Directions under the Financial Management Act 1994 and Instructions.

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

FINANCIAL REPORT

For the Financial Year Ended 30 June 2022

CONTENTS

DECLARATION BY MEMBERS OF THE COMMITTEE

LEGAL PRACTITIONERS' LIABILITY COMMITTEE

DECLARATION BY COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The attached financial statements for the Legal Practitioners' Liability Committee have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the Financial Management Act 1994 (FMA), applicable Financial Reporting Directions, Australian Accounting Standards, including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2022 and financial position of the Legal Practitioners' Liability Committee at 30 June 2022.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial report to be misleading or inaccurate.

We authorise the attached financial statements for issue on 14 September 2022.

John Corcoran AM - Chairman

Nicholas J Toohey - Chief Executive Officer

Martin Dohnt - Chief Financial Officer

Dated this 14th day of September 2022

AUDITOR-GENERAL'S REPORT

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Committee of the Legal Practitioners' Liability Committee

Opinion

I have audited the financial report of the Legal Practitioners' Liability Committee which comprises the:

- balance sheet as at 30 June 2022
- statement of comprehensive income for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- declaration by committee members, chief executive officer and chief financial officer.

In my opinion the financial report presents fairly, in all material respects, the financial position of the Legal Practitioners' Liability Committee as at 30 June 2022 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the Committee in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our 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.

The Committee's responsibilities for the financial report

The Committee of the Legal Practitioners' Liability Committee (the Committee) is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Committee determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Committee is responsible for assessing the Legal Practitioners' Liability Committee'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 it is inappropriate to do so.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

AUDITOR-GENERAL'S REPORT (CONTINUED)

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Legal Practitioners' Liability Committee's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee
- conclude on the appropriateness of the Legal Practitioners' Liability Committee'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 Legal Practitioners' Liability Committee's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Legal Practitioners' Liability Committee to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Committee 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.

MELBOURNE
16 September 2022

Janaka Kumara
as delegate for the Auditor-General of Victoria

2

Statement of Comprehensive Income

for the Financial Year Ended 30 June 2022

	Note	2022 $	2021 $
UNDERWRITING			
Premium revenue	2.2	36,699,069	35,606,493
Reinsurance recoveries	3.3	1,827,000	-
Outwards reinsurance expense	3.2	(1,000,000)	(1,000,000)
Net earned premiums		37,526,069	34,606,493
Claims expense	3.3	(36,948,064)	(47,425,081)
Claims incurred		(36,948,064)	(47,425,081)
Movement in unexpired risk liability	5.4	464,574	(2,039,260)
UNDERWRITING RESULT		**1,042,579**	**(14,857,848)**
Investment income/(expense)	2.3	(7,004,713)	28,819,613
Other income	2.4	19,908	42,092
Employment expenses	3.1.1	(4,186,449)	(3,878,471)
Depreciation and amortisation	4.1.1	(382,215)	(366,725)
Other expenses	3.4	(2,617,672)	(2,553,845)
Net result		**(13,128,562)**	**7,204,816**
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss)		**(13,128,562)**	**7,204,816**

Notes to and forming part of these financial statements are set out in pages 50 to 111

Balance Sheet
as at 30 June 2022

	Note	2022 $	2021 $
CURRENT ASSETS			
Cash and cash equivalents	6.1	17,702,203	15,071,740
Receivables	5.1	3,167,664	635,837
Other financial assets	4.2	59,873,286	61,439,433
Other non-financial assets	5.3	1,898,953	170,066
Total current assets		**82,642,106**	**77,317,076**
NON-CURRENT ASSETS			
Other financial assets	4.2	199,128,502	215,026,215
Property, plant & equipment	4.1	650,835	1,018,777
Total non-current assets		**199,779,337**	**216,044,992**
TOTAL ASSETS		**282,421,443**	**293,362,068**
CURRENT LIABILITIES			
Outstanding claims liability	5.5	40,211,000	38,015,000
Payables	5.2	3,399,641	2,131,484
Unearned premium liability	5.4	53,824,000	51,359,000
Lease liability	6.3	362,962	336,365
Provisions	3.1.2	761,321	685,535
Total Current Liabilities		**98,558,924**	**92,527,384**
NON-CURRENT LIABILITIES			
Outstanding claims liability	5.5	73,636,000	77,114,000
Lease liability	6.3	207,131	570,094
Provisions	3.1.2	36,143	38,783
Total non-current liabilities		**73,879,274**	**77,722,877**
TOTAL LIABILITIES		**172,438,198**	**170,250,261**
NET ASSETS		**109,983,245**	**123,111,807**
EQUITY			
Accumulated funds	8.1	109,983,245	123,111,807
TOTAL EQUITY		**109,983,245**	**123,111,807**

Notes to and forming part of these financial statements are set out in pages 50 to 111

Cash Flow Statement

for the Financial Year Ended 30 June 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium revenue received		47,743,254	54,194,375
Other income		19,908	21,187
Dividend received		103,400	655,985
Interest received		499,467	1,289,794
Other income from investments		1,037,516	6,464,650
Interest paid on lease liabilities		(28,178)	(40,199)
Claims paid		(39,339,190)	(41,204,381)
Outward reinsurance premium paid		(1,080,000)	(1,000,000)
Payments to suppliers and employees		(13,922,650)	(9,575,376)
Net cash provided by/(used in) operating activities	6.1.1	**(4,966,473)**	**10,806,035**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4.1.2	(14,273)	(15,980)
Sale of investments		15,000,000	31,158,363
(Purchase) of investments		(8,618,572)	(26,501,260)
Net cash provided by/(used in) investing activities		**6,367,155**	**4,641,123**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion of lease liabilities	6.3.1c	(336,366)	(311,190)
Net cash (used in) financing activities		**(336,366)**	**(311,190)**
Net increase in cash held		1,064,316	15,135,968
Cash and cash equivalents at beginning of period		76,511,173	61,375,205
Cash and cash equivalents at end of period	6.1	**77,575,489**	**76,511,173**

Notes to and forming part of these financial statements are set out in pages 50 to 111

Statement of Changes In Equity
for the Financial Year ended 30 June 2022

	Note	Accumulated funds $	Total $
At 1 July 2020		115,906,991	115,906,991
Net result for the year		7,204,816	7,204,816
Other comprehensive income for the year		-	-
At 30 June 2021		**123,111,807**	**123,111,807**
Net result for the year		(13,128,562)	(13,128,562)
Other comprehensive income for the year		-	-
At 30 June 2022	**8.1**	**109,983,245**	**109,983,245**

Notes to and forming part of these financial statements are set out in pages 50 to 111

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

1. ABOUT THIS REPORT

The reporting entity is the Legal Practitioners' Liability Committee (LPLC). The Legal Practitioners' Liability Committee is a statutory authority established under the *Legal Profession Act 2004* (from 1 July 2015 *The Legal Profession Uniform Law Application Act 2014*). The Committee administers the transactions of the Legal Practitioners' Liability Fund. The Legal Practitioners' Liability Committee is specifically regulated out of the Commonwealth Insurance Act and is not regulated by the Australian Prudential Regulatory Authority. The LPLC has the power to impose a levy in the event of insolvency. The assets, liabilities and financial transactions of the Legal Practitioners' Liability Fund are reported in this financial report.

Its principal address is: Legal Practitioners' Liability Committee
Level 31, 570 Bourke Street
Melbourne, Vic 3000

Basis of Preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The Fund makes estimates and assumptions in respect of certain key assets and liabilities. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below. .

The ultimate liability arising from claims made under insurance contracts.

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance date. The estimated cost of claims include direct expenses to be incurred in settling claims. The fund takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions it is likely that the final outcome will prove to be different from the original liability established. For assumptions and methods used refer to Note 8.7.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying AAS that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

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

1. ABOUT THIS REPORT (CONTINUED)

These financial statements cover the Legal Practitioners' Liability Committee as an individual reporting entity and included all the controlled activities of the Committee.

Amounts in the financial statements have been rounded to the nearest dollar unless otherwise stated.

Compliance Information

These general purpose financial reports have been prepared in accordance with the Financial Management Act 1994 (FMA) and applicable Australian Accounting Standards (AASs) which includes interpretations, issued by the Australia Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting (AASB 1049).

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or events is reported.

Income Tax

The Fund is exempt from income tax pursuant to item 5.2 of section 50-25 of the *Income Tax Assessment Act 1997*.

Goods and Services Tax (GST)

Revenues and expenses are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense.

Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the taxation authority, are presented as operating cash flow.

Going Concern

The financial statements were prepared on a going concern basis. The Committee considered this view notwithstanding the working capital deficiency as at 30 June 2022 of $15,916,818 (2021: $15,210,308). The net deficiency in working capital includes unearned premium liability of $53,824,000 (2021: $51,359,000) and the majority of which will be brought to account as income in the 2022–2023 year. Budgets prepared for the year ending 30 June 2023 indicate that the entity is expected to achieve a loss from activities. Notwithstanding this the Committee has sufficient reserves to continue as a going concern. On this basis the Committee members believe the going concern basis is appropriate for preparation of the financial statements.

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

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

LPLC is the professional indemnity insurer to Victorian legal practices and the insurer to many national law firms. In addition, LPLC provides a comprehensive program of risk management services to legal practices that insure with us. LPLC's long-held values are; equity and fairness, transparency, probity, stability.

To enable LPLC to fulfil its values and provide outputs as described in section 4, it receives income (predominantly premium revenue).

Structure

2.1 Summary of income that funds the delivery of our services

	Note	2022 $	2021 $
Premium revenue	2.2	36,699,069	35,606,493
Investment income/(expense)	2.3	(7,004,713)	28,819,613
Other income	2.4	19,908	42,092
Total income		**29,714,264**	**64,468,198**

Premiums from direct business arise from contracts when a policy holder transfer significant insurance risk to an insurer.

The recognition of investment income and other income are disclosed at notes 2.3 and 2.4 respectively.

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

2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

2.2 Premium revenue

	2022 $	2021 $
Gross written premiums	39,628,643	36,627,233
Movement in unearned premium	(2,929,574)	(1,020,740)
Net premium revenue	**36,699,069**	**35,606,493**

Premium revenue comprises amounts charged to solicitors and barristers, excluding amounts collected on behalf of third parties, principally stamp duties and goods and services tax.

Premium revenue is recognised in the Statement of Comprehensive Income when it has been earned. Premium revenue is recognised in the Statement of Comprehensive Income from the attachment date over the period of the contract.

The proportion of premium received or receivable not earned in the Statement of Comprehensive Income at the reporting date is recognised in the Balance Sheet as an unearned premium liability.

2.3 Investment income / (expense)

	2022 $	2021 $
Net fair value gains/(loss) on financial assets at fair value through profit or loss - refer to note 7.3 and 4.2	(16,438,325)	20,483,936
Managed fund distributions	8,741,594	6,156,207
Other income	363,858	283,412
Dividend income	103,400	655,985
Interest income	224,760	1,240,073
Total investment income / (expense)	**(7,004,713)**	**28,819,613**

Managed fund distributions are accrued and include declared distributions. Any managed fund distribution income relating to the current period that is not received during the accounting year is accrued to that accounting year.

Interest income includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

Other income includes management fee rebates received from managed investment funds.

Managed fund distributions are recognised when the right to receive payment is established. Managed fund distributions represent the income arising from investments in financial assets.

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

2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

2.4 Other income

	2022 $	2021 $
Seminar Income	14,500	42,092
Other miscellaneous income	5,408	-
Total income	**19,908**	**42,092**

Seminar income is income received for seminars, webinars and workshops held during the financial year. Seminars, webinars and workshops are aimed at assisting practitioners to avoid risks and minimise their exposure to claims. Income is recognised when the seminar, webinar or workshop has been completed.

2.5 Reinsurance receivables

	2022 $	2021 $
Reinsurance recoveries	1,827,000	-
Total income	**1,827,000**	-

Reinsurance recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported are recognised as revenue.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

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

3. THE COST OF DELIVERING SERVICES

Introduction

This section provides an account of the expenses incurred by Legal Practitioners' Liability Committee in delivering services and outputs. In section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded. Section 4 discloses aggregated information in relation to the income and expenses by output.

Structure

3.1 Expenses incurred in delivery of services

	Note	2022 $	2021 $
Employee benefit expenses	3.1.1	4,186,449	3,878,471
Outwards reinsurance expense	3.2	1,000,000	1,000,000
Claims expense	3.3	36,948,064	47,425,081
Other operating expenses	3.4	2,617,672	2,553,845
Total expenses incurred in delivery of services		**44,752,185**	**54,857,397**

3.1.1 Employee benefits expense in the comprehensive operating statement

	2022 $	2021 $
Defined contribution superannuation expense	346,349	307,352
Salaries and wages, annual leave and long service leave	3,840,100	3,571,119
Total employee expenses	**4,186,449**	**3,878,471**

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount recognised in the comprehensive income statement in relation to superannuation is employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period.

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

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1.2 Employee benefits in the balance sheet

Provision is made for the Fund's liability for employee benefits arising from services rendered by employees to balance date and recorded as an expense during the period the services are delivered.

	2022 $	2021 $
CURRENT PROVISIONS		
Annual Leave		
unconditional and expected to settle within 12 months	188,630	179,005
unconditional and expected to settle after 12 months	12,814	6,695
Long Service Leave		
unconditional and expected to settle within 12 months	24,488	5,327
unconditional and expected to settle after 12 months	431,760	403,494
Provisions for on-costs		
unconditional and expected to settle within 12 months	33,580	28,219
unconditional and expected to settle after 12 months	70,049	62,795
Total current provisions	**761,321**	**685,535**
NON-CURRENT PROVISIONS		
Employee benefits	31,223	33,634
On-costs	4,920	5,149
Total non-current provisions	**36,143**	**38,783**
Total provisions for employee benefits	**797,464**	**724,318**

Reconciliation of movement in on-cost provision

	2022 $
Opening balance	96,163
Additional provisions recognised	50,126
Reductions arising from payments/other sacrifices of future economic benefits	(37,740)
Closing balance	**108,549**
Current	**103,629**
Non-current	**4,920**

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

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1.2 Employee benefits in the balance sheet (continued)

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits annual leave and on costs, are all recognised in the provision for employee benefits as current liabilities, because the Legal Practitioners' Liability Committee does not have an unconditional right to defer settlements of these liabilities.

The liability for wages and salaries are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Legal Practitioners' Liability Committee expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Legal Practitioners' Liability Committee does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Long Service Leave

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Legal Practitioners' Liability Committee does not expect to settle the liability within 12 months because it will not have an unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value - if expected to wholly settle within 12 months: or
- present value - if not expected to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL Liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction.

Provisions for on-costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

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

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1.3 Superannuation contributions

Employees of LPLC are entitled to receive superannuation benefits and the LPLC contributes to defined contribution plans on their behalf.

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of LPLC.

	Paid contribution for the year		Contribution outstanding at year end	
	2022	**2021**	**2022**	**2021**
DEFINED CONTRIBUTION PLANS				
Legal super	92,790	101,415	-	-
Other	253,559	205,937	-	-
Total	**346,349**	**307,352**	-	-

3.2 Outwards reinsurance expense

	2022 $	**2021 $**
Outwards reinsurance expense	1,000,000	1,000,000
Total	**1,000,000**	**1,000,000**

Premium paid to reinsurers is recognised as an expense in accordance with the expected pattern of risk. Where applicable, a portion of outwards reinsurance premium is treated at the reporting date as a prepayment. Reinsurance recoveries are recognised as revenue for claims incurred.

The Legal Practitioners' Liability Fund carries a stop loss insurance policy, with a defined sum insured, to cover the payment of claims made during the year ended 30 June 2022 in excess of $50.5m (2021:$48.5m).

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

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.3 Claims expense

Claims expense recognises the estimated cost of claims incurred for the current year, less or plus any adjustment for the improvements/deterioration in prior policy/accounting years.

NET CLAIMS INCURRED

	2022 Current year $	Prior years $	Total $	2021 Current year $	Prior years $	Total $
Gross claims expense	56,395,000	(14,100,936)	42,294,064	48,985,000	(1,197,919)	47,787,081
Discount movement	(3,235,000)	(2,111,000)	(5,346,000)	(532,000)	170,000	(362,000)
	53,160,000	**(16,211,936)**	**36,948,064**	**48,453,000**	**(1,027,919)**	**47,425,081**
Reinsurance and other recoveries revenue						
Reinsurance and other recoveries revenue - undiscounted	(2,467,000)	-	(2,467,000)	-	-	-
Discount movement	640,000	-	640,000	-	-	-
	(1,827,000)	-	(1,827,000)	-	-	-
Net claims incurred	**51,333,000**	**(16,211,936)**	**35,121,064**	**48,453,000**	**(1,027,919)**	**47,425,081**

Current year amounts relate to risks borne in the current financial year. Prior periods amount relate to a reassessment of the risks borne in all previous financial years.

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

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.4 Other operating expenses

	2022 $	2021 $
Administration expenditure	1,995,550	1,994,170
Consulting & professional services expenditure	622,122	559,675
Total other operating expenses	**2,617,672**	**2,553,845**

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Administration expenditure are recognised as an expense in the reporting period in which they are incurred.

The following lease payments are recognised on a straight-line basis:

- Short-term leases - leases with a term less than 12 months: and
- Low value leases - leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than $10,000.

Variable lease payments that are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate and which are not, in substance fixed) such as those based on performance or usage of the underlying asset, are recognised in the Comprehensive income statement (except for payments which has been included in the carrying amount of another asset) in the period in which the event or condition that triggers those payments occur.

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

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

The Legal Practitioners' Liability Committee controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources utilised by the LPLC for delivery of those outputs.

Significant judgement: Classification of investments as 'key assets'

The LPLC has made the judgement that investments and other financial assets are key assets utilised to support the LPLC's objectives and outputs.

Fair Value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

Structure

4.1 Total property, plant and equipment

	2022 $	2021 $
Property, plant & equipment:		
Fair value	1,831,772	1,817,499
Accumulated depreciation	(1,218,132)	(863,277)
	613,640	954,222
Leasehold improvements:		
Fair value	232,521	232,521
Accumulated depreciation	(195,326)	(167,966)
	37,195	64,555
Total	**650,835**	**1,018,777**

Notes to the Financial Statements

for the year ended 30 June 2022

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1 Total property, plant and equipment (continued)

The following tables are subsets of property, plant and equipment by right-of-use assets.

4.1a Total right of use assets: property, plant and equipment

	2022 $	2021 $
Property, plant and equipment		
Gross carrying amount	1,487,816	1,487,816
Accumulated depreciation	(917,723)	(581,357)
Net carrying amount	**570,093**	**906,459**

	2022 $	2021 $
Opening balance - 1 July	906,459	1,217,649
Depreciation	(336,366)	(311,190)
Closing balance - 30 June	**570,093**	**906,459**

Initial recognition

All non-current physical assets are measured initially at fair value less accumulated depreciation and impairment.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease of their estimated useful lives.

Right-of-use assets acquired by lessees - initial measurement

LPLC recognises a right-of-use asset and a lease liability as the lease commencement date. The right-of-use assets is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any incentives received; plus
- any initial direct costs incurred: and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

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

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1 Total property, plant and equipment (continued)

4.1a Total right of use assets: property, plant and equipment (continued)

Subsequent measurement

Property, plant and equipment (PPE) as well as right-of-use assets under leases measured at cost less accumulated depreciation and impairment, subject to being measured at fair value at balance date.

Right-of-use asset - Subsequent measurement

LPLC depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

4.1.1 Depreciation and amortisation

Charge for the period	2022 $	2021 $
Property, Plant and Equipment	354,855	335,197
Leasehold improvements	27,360	27,360
Intangibles	-	4,168
	382,215	**366,725**

Property, Plant and equipment is depreciated on a straight line or diminishing value basis over their useful life to the Fund commencing from the time the assets are held ready for use.

Intangibles are amortised on a straight line or diminishing value basis over their useful life to the Fund commencing from the time the assets are held ready for use.

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

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1 Total property, plant and equipment (continued)

4.1.1 Depreciation and amortisation (continued)

The depreciation rates used for current and prior years are:

Class of asset	Prime cost depreciation rate
Property, Plant & Equipment	20 - 40%
Leasehold improvements	10 - 25%
Intangibles	40%

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the LPLC obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

Impairment

Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds the recoverable amount. Where an asset's carrying value exceeds its recoverable amount the difference is written off in the comprehensive income statement as an "other economic flow", except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less cost to sell. Recoverable amount for assets held primarily to generate cash inflows is measured at the higher of the present value of future cash inflows expected to be obtained from the asset and fair value less costs to sell.

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

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1.2 Reconciliation of movements in carrying amount of property, plant and equipment

	Furniture equipment $	Leasehold improvements $	Total $
2022			
Balance at the beginning of the year	954,222	64,555	1,018,777
Additions	14,273	-	14,273
Depreciation expense	(354,855)	(27,360)	(382,215)
Carrying amount at the end of the year	**613,640**	**37,195**	**650,835**
2021			
Balance at the beginning of the year	1,273,439	91,915	1,365,354
Additions	15,980	-	15,980
Depreciation expense	(335,197)	(27,360)	(362,557)
Carrying amount at the end of the year	**954,222**	**64,555**	**1,018,777**

4.2 Investments and other financial assets

	2022 $	2021 $
CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS		
Term deposits:		
Australian dollar term deposits > three months	59,873,286	61,439,433
Total current investments and other financial assets	**59,873,286**	**61,439,433**
NON-CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS		
Managed unit trusts		
- Overseas equities	59,338,170	73,646,124
- Property fund	23,016,892	21,425,358
- Infrastructure fund	20,273,392	18,678,510
- Australian equities	24,966,328	31,618,823
- Diversified funds	18,477,356	18,472,442
- Government securities	53,056,364	51,184,958
Total non-current investments and other financial assets	**199,128,502**	**215,026,215**
Total investments and other financial assets	**259,001,788**	**276,465,648**

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

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.2 Investments and other financial assets (continued)

Other financial assets

For financial assets that are held for trading or designated at fair value through the profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset and this gain or loss is recognised in the profit or loss.

Net market values have been determined as follows:

1. Units in managed equity funds by reference to the unit redemption price at the end of the reporting period as determined by the respective constitutions governing each fund.

2. Units in a managed property funds by reference to unit redemption price at the end of the reporting period which is 98% of the current asset value which has been the basis of recent sales.

Asset backing general insurance liabilities

As part of its investment strategy the Fund actively manages its investment portfolio to ensure that the investments mature in accordance with the expected pattern of future cash flows arising from general insurance liabilities.

The Fund has determined that other financial assets are held to back general insurance liabilities and their accounting treatment is described above. As these assets are managed under the fund's Risk Management Statement on a fair value basis and are reported to the Committee on this basis, they have been valued at fair value through profit or loss.

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

5. OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from the LPLC's operations.

Structure

5.1 Receivables

	2022 $	2021 $
CONTRACTUAL		
Accrued investment income	1,340,664	635,837
Reinsurance receivable	1,827,000	-
Total receivables	**3,167,664**	**635,837**

Contractual receivables are classified as financial instruments and categorised as "financial assets at amortised cost". They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest rate method, less any impairment.

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

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.1 Receivables (continued)

Ageing analysis of contractual receivables

	Carrying amount	Not past due and not impaired	Past due but not impaired			
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years
2022						
Accrued investment income	1,340,664	1,340,664	-	-	-	-
Reinsurance receivable	1,827,000	1,827,000				
Total	**3,167,664**	**3,167,664**	-	-	-	-
2021						
Accrued investment income	635,837	635,837	-	-	-	-
Total	**635,837**	**635,837**	-	-	-	-

5.2 Payables

	2022 $	2021 $
CONTRACTUAL		
Other investment payable	1,745,300	-
Supplies and services	180,948	167,698
Deferred other income	4,062	-
STATUTORY		
GST Payable	619,383	839,301
Other taxes payable	849,948	1,124,485
	3,399,641	**2,131,484**
Represented by:		
Current payables	3,399,641	2,131,484
Non-current payables	-	-

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

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.2 Payables (continued)

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to Legal Practitioners' Liability Committee prior to the end of the financial year that are unpaid, and arise when Legal Practitioners' Liability Committee becomes obliged to make future payments in respect of the purchase of those goods and services.

The other investment payable (commitment) comprises contractual commitments to invest in a managed fund in respect of which a drawdown notice exists as at balance date.

Maturity analysis of contractual payables

	Carrying amount	nominal amount				Maturity dates
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years
2022						
Other investment payable	1,745,300	1,745,300	1,745,300			
Supplies and services	180,948	180,948	180,948	-	-	-
Deferred other income	4,062	4,062	4,062	-	-	-
Total	**1,930,310**	**1,930,310**	**1,930,310**	-	-	-
2021						
Supplies and services	167,698	167,698	167,698	-	-	-
Total	**167,698**	**167,698**	**167,698**	-	-	-

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

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.3 Other assets

	2022 $	2021 $
CURRENT OTHER ASSETS		
Prepayments	153,653	170,066
Other financial asset	1,745,300	-
Total current other assets	**1,898,953**	**170,066**

Prepayments represent payments in advance of receipt of goods or services or the payment made in one accounting period covering a term extending beyond that period.

The other financial asset commitment comprises a commitment right over units in a managed fund in respect of which a drawdown notice exists as at balance date.

5.4 Unearned premium liability

	2022 $	2021 $
Unearned premium liability 1 July	51,359,000	48,299,000
Earning of premiums written in previous periods	(35,688,466)	(34,667,726)
Deferral of premium contracts written in period	38,618,040	35,688,466
Unexpired risk liability recognised for year ending 30 June (note 7.5.1)	(464,574)	2,039,260
Unearned premium liability 30 June	**53,824,000**	**51,359,000**

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

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.4 Unearned premium liability (continued)

Deferral of Premium Contracts

Deferral of premium contracts includes consideration received in advance from practitioners in respect of the upcoming insurance period. This deferred premium balance will be recognised as premium revenue in the forth coming financial period.

Unexpired Risk Liability

At each reporting date the Fund assessed whether the unearned premium liability is sufficient to cover all the expected future cash flows relating to the future claims against current insurance contracts. This assessment is referred to as the Liability Adequacy Test.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less any related intangible assets and deferred acquisition costs then the unearned premium liability is deemed to be deficient. The Fund applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability, see note 5.5.

The entire deficiency, gross and net of insurance, is recognised immediately in the Statement of Comprehensive Income. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

5.5 Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims made at the reporting date under general insurance contracts issued by the Fund, with an additional risk margin to allow for the uncertainty in the central estimate.

Claims handling costs include costs that can be associated directly with individual claims, such as legal and other professional fees and other costs that can only be indirectly associated with individual claims, such as claims administration expense.

The expected future payments are discounted to present value using a risk free rate.

A risk margin is applied to the outstanding claims liability, net of reinsurance and other recoveries, to reflect the inherent uncertainty in the central estimate of the outstanding claims liability.

Notes to the Financial Statements

for the year ended 30 June 2022

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.5 Outstanding claims liability (continued)

5.5.1 Outstanding claims liability

	2022 $	2021 $
Central estimate of claims still to be paid, net of reinsurance recoveries	107,042,000	97,745,000
Discount to present value	(6,876,000)	(1,530,000)
	100,166,000	96,215,000
Present value of claims handling costs	7,813,000	7,505,000
Risk margin	5,868,000	11,409,000
Gross outstanding claims liability	**113,847,000**	**115,129,000**
Reinsurance recoveries on outstanding claims liability	(1,827,000)	-
Net outstanding claims liability	112,020,000	115,129,000
Gross outstanding claims liability - undiscounted	120,723,000	114,859,000
Current	40,211,000	38,015,000
Non-current	73,636,000	77,114,000
Gross outstanding claims liability	**113,847,000**	**115,129,000**

5.5.2 Risk margin applied	**11.000%**	**11.000%**

5.5.3 Reconciliation of movement in discounted outstanding claims liability

	2022 $	2021 $
Brought forward	115,129,000	107,367,000
Increase/(decrease) in claims incurred/recoveries anticipated over the year	(14,100,936)	(1,197,919)
Incurred claims recognised in the Statement of comprehensive income	56,395,000	48,985,000
Claims payments/recoveries during the year	(38,230,064)	(39,663,081)
Movement in net present value adjustment	(5,346,000)	(362,000)
Carried forward	**113,847,000**	**115,129,000**

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

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.5 Outstanding claims liability (continued)

5.5.4 Claims development table ($m)

Policy year	2018	2019	2020	2021	2022	Total
Estimate of ultimate claim cost at end of policy year	34.130	35.321	39.637	40.720	50.511	
One year later	31.634	34.887	44.493	38.979		
Two years later	30.834	36.130	45.020			
Three years later	32.198	34.191				
Four years later	33.912					
Current estimate	33.912	34.191	45.020	38.979	50.511	202.613
Cumulative payments	-28.996	-29.706	-27.007	-16.163	-5.796	-107.668
Undiscounted central estimate	4.916	4.485	18.013	22.816	44.715	94.945
Discount						-6.876
Inflation to future values						5.145
Present value of claims handling expenses						7.813
Undiscounted central estimate prior years						6.952
Risk margin						5.868
Total outstanding claims						**113.847**

5.5.5 Net present value adjustment to outstanding claims

	2022 $	2021 $
Opening balance	1,530,000	1,168,000
Prior year	2,111,000	(170,000)
Current year	3,235,000	532,000
Closing balance	**6,876,000**	**1,530,000**

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

6. HOW WE FINANCED OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by the Legal Practitioners' Liability Committee during its operations, along with interest expenses (the cost of borrowing) and other information related to financing activities of the department.

Structure

6.1 Cash flow information and balances

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, bank bills and investments in term deposits, typically with an original maturity of three months or less that are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and are readily convertible to known amount of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents at end of the financial year as shown in the cash flow statement is reconciled to items in the Balance Sheet as follows:

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

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.1 Cash flow information and balances (continued)

	2022 $	2021 $
Cash and Cash Equivalents	17,702,203	15,071,740
Cash Trusts & Deposits	59,873,286	61,439,433
	77,575,489	**76,511,173**

6.1.1 Reconciliation of operating profit for the year to the net cash flows from operations:

Operating profit/(loss)	(13,128,562)	7,204,816
Depreciation	382,215	366,725
Reinvestment of share distributions	(6,922,040)	-
Changes in net market value of investments	16,438,325	(20,483,936)
Unexpired risk liability	(464,574)	2,039,260
Increase in provision for long service and annual leave	73,146	63,065
(Increase)/decrease in receivables & prepayments	(4,260,714)	89,763
Increase/(decrease) in creditors	1,268,157	132,099
Increase/(decrease) in premiums received in advance	2,929,574	13,632,243
Increase/(decrease) in claims outstanding	(1,282,000)	7,762,000
Net cash and cash equivalents provided by/(used in) operating activities	**(4,966,473)**	**10,806,035**

The Fund has no credit standby arrangements or loan facilities (2021: Nil)

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

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.2 Commitments for expenditure

Commitments for future expenditure include operating capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

6.2.1 Total commitments payable

Nominal amounts 2022	Less than 1 year	1 - 5 years	5+ years	Total
Other commitments payable	269,964	-	-	269,964
Investments in funds	-	13,255,000	-	13,255,000
Total commitments (inclusive of GST)	**269,964**	**13,255,000**	-	**13,524,964**
Less GST recoverable	24,542	-	-	24,542
Total commitments (exclusive of GST)	**245,422**	**13,255,000**	-	**13,500,422**

2021	Less than 1 year	1 - 5 years	5+ years	Total
Other commitments payable	261,087	-	-	261,087
Total commitments (inclusive of GST)	**261,087**	-	-	**261,087**
Less GST recoverable	23,735	-	-	23,735
Total commitments (exclusive of GST)	**237,352**	-	-	**237,352**

Other commitments payable include an ongoing agreement with Willis Towers Watson for the provision of investment advice and future investments in funds.

Investment in managed funds represents a commitment of behalf of LPLC to invest in Managed Funds as at balance date. The commitment will be drawn down as the Managed Fund's source appropriate assets. The commitment is expected to be fully drawn down over the next three years. As the commitment is drawn down LPLC will be issued with units in the Fund.

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

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Leases

	2022 $	2021 $
CURRENT LIABILITIES		
Lease liabilities	362,962	336,365
Total current liabilities	**362,962**	**336,365**
NON-CURRENT LIABILITIES		
Lease liabilities	207,131	570,094
Total current liabilities	**207,131**	**570,094**
Total lease liabilities	**570,093**	**906,459**

6.3.1 Leases

Information about leases for which LPLC is a lessee is presented below.

LPLC leasing activities

LPLC leases property and equipment. The lease contracts are typically made for fixed periods of 1-10 years with an option to renew the lease after that date.

6.3.1 (a) Right-of-use assets

Right-of-use assets are presented in note 4.1 (a).

6.3.1 (b) Amounts recognised in the Statement of Comprehensive Income

The following amounts are recognised in the Statement of Comprehensive Income relating to leases:

	2022 $	2021 $
Interest expense on lease liabilities	28,178	40,199
Total amount recognised in the statement of comprehensive income	**28,178**	**40,199**

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

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Leases (continued)

6.3.1 (c) Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2022 relating to leases

	2022 $	2021 $
Interest expense on lease liabilities	28,178	40,199
Principal payments on lease liabilities	336,366	311,190
Total cash outflow for leases	**364,544**	**351,389**

For any new contracts entered into, LPLC considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition LPLC assesses whether the contract meets three key evaluations which are:

a) whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to LPLC and for which the supplier does not have substantive substitution rights;

b) whether LPLC has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and LPLC has the right to direct the use of the identified asset throughout the period of use; and

c) whether LPLC has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

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

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 Leases (continued)

6.3.1 (c) Amounts recognised in the statement of cashflows (continued)

Recognition and measurement of leases as a lessee

Lease liability – initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or LPLC's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments (including in-substance fixed payments)

b) variable payments based on an index or rate, initially measured using the index or rate as at the commencement date

c) amounts expected to be payable under a residual value guarantee; and

d) payments arising from purchase and termination options reasonably certain to be exercised.

Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

Short-term leases and leases of low value assets

The LPLC has elected to account for short-term leases and leases of low value assets using the practical expedients basis. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

Presentation of right-of-use assets and lease liabilities

The LPLC presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'lease liability' in the balance sheet.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The LPLC is exposed to risk from its activities and outside factors. In addition it is necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the LPLC related mainly to fair value determination.

The Fund's principal financial instruments comprise of unquoted unit trusts and cash and cash equivalents. The main purpose of these financial instruments is to ensure that there is sufficient ability to meet the obligations under the policies of insurance that have been issued. These instruments are managed by the Investment Committee who utilise the services of our external advisor - Willis Towers Watson. The main risk arising from the fund's financial instruments are interest rate risk, equity market risk, foreign currency risk and credit risk which are discussed in note 7.1.3 below. There are no significant concentrations of credit risk within the fund.

Structure

7.1 Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Fund's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

Categories of financial instruments

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the LPLC to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

LPLC recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)
- term deposits

Financial assets at fair value through net result

Equity instruments that are held for trading are classified as fair value through the net result. Other financial assets are required to be measured at fair value through net result unless they are measured at amortised costs or fair value through other comprehensive income.

However, as an exception to those rules above, the LPLC may, at initial recognition, irrevocably designate financial assets as measured at fair value through net result if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different bases.

LPLC recognises listed equity securities as mandatorily measured at fair vale through net result and designated all of its managed investment schemes as fair value through net result.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

Categories of financial liabilities

Financial assets and liabilities at fair value through the net result

Financial assets are categorised as fair value through profit or loss at trade date it they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through net result on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through net result are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group or similar assets) is derecognised when:

- the right to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Fund has transferred its rights to receive cash from the asset and either (a) has transferred substantially all the risk and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.1 Financial instruments: Categorisation

	Cash and deposits	Financial assets/ liabilities designated at fair value through profit /loss (FVTPL)	Financial Assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2022					
CONTRACTUAL FINANCIAL ASSETS					
Cash and deposits	17,702,203	-	-	-	17,702,203
Receivables					
Accrued investment income	-	-	1,340,664	-	1,340,664
Reinsurance recoveries	-	-	1,827,000	-	1,827,000
Investments and other contractual assets					
Term deposits	-	-	59,873,286	-	59,873,286
Managed unit trusts	-	199,128,502	-	-	199,128,502
Other financial asset	-	-	1,745,300	-	1,745,300
Total contractual financial assets	**17,702,203**	**199,128,502**	**64,786,250**	-	**281,616,955**
CONTRACTUAL FINANCIAL LIABILITIES					
Payables (a)					
Supplies and services	-	-	-	180,948	180,948
Other investment payable	-	-	-	1,745,300	1,745,300
Lease liability	-	-	-	570,093	570,093
Total contractual financial liabilities	-	-	-	**2,496,341**	**2,496,341**

Note: (a) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable and taxes payable).

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.1 Financial instruments: Categorisation (continued)

	Cash and deposits	Financial assets/ liabilities designated at fair value through profit /loss (FVTPL)	Financial Assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2021					
CONTRACTUAL FINANCIAL ASSETS					
Cash and deposits	15,071,740	-	-	-	15,071,740
Receivables					
Accrued investment income	-	-	635,837	-	635,837
Investments and other contractual assets					
Term deposits	-	-	61,439,433	-	61,439,433
Managed unit trusts	-	215,026,215	-	-	215,026,215
Total contractual financial assets	**15,071,740**	**215,026,215**	**62,075,270**	**-**	**292,173,225**
CONTRACTUAL FINANCIAL LIABILITIES					
Payables (a)					
Supplies and services	-	-	-	167,698	167,698
Lease liability	-	-	-	906,459	906,459
Total contractual financial liabilities	-	-	-	**1,074,157**	**1,074,157**

Note: (a) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable and taxes payable).

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.2 Financial instruments - net holding gain/(loss) on financial instruments by category

	Net holding gain/(loss)	Total interest income/ (expense)	Total
2022			
CONTRACTUAL FINANCIAL ASSETS			
Financial assets at amortised cost - other than on derecognition	-	224,760	224,760
Equity investments designated at fair value through profit/loss	(16,438,325)	-	(16,438,325)
Total contractual financial assets	**(16,438,325)**	**224,760**	**(16,213,565)**
Contractual financial liabilities	-	-	-
Financial liabilities at amortised cost	-	-	-
Total contractual financial liabilities	-	-	-

Notes to the Financial Statements

for the year ended 30 June 2022

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.2 Financial instruments - net holding gain/(loss) on financial instruments by category (continued)

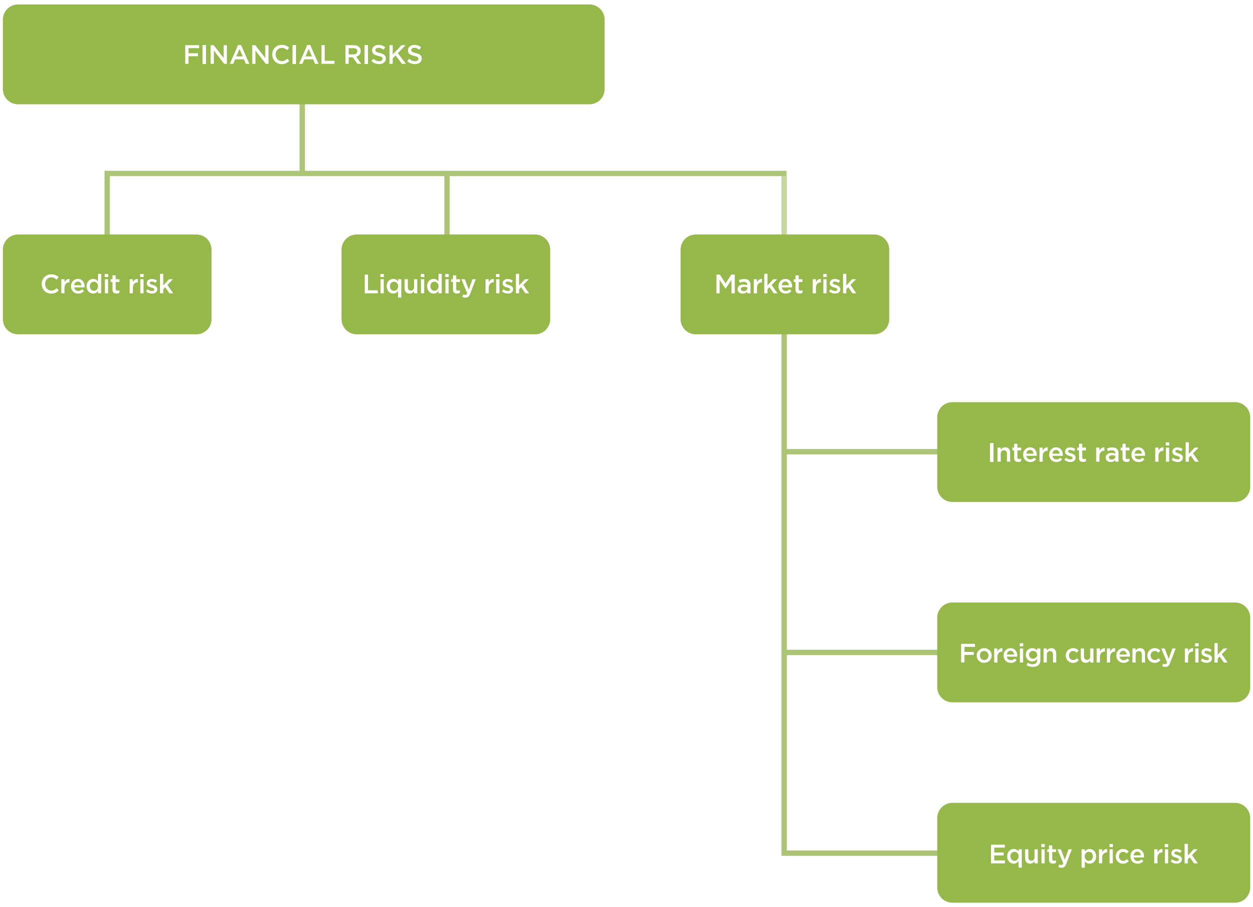
	Net holding gain/(loss)	**Total interest income/ (expense)**	**Total**
2021			
CONTRACTUAL FINANCIAL ASSETS			
Financial assets at amortised cost - other than on derecognition	-	1,240,073	1,240,073
Equity investments designated at fair value through profit/loss	20,483,936	-	20,483,936
Total contractual financial assets	**20,483,936**	**1,240,073**	**21,724,009**
Contractual financial liabilities	-	-	-
Financial liabilities at amortised cost	-	-	-
Total contractual financial liabilities	-	-	-

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies



As a whole the LPLC's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.3 to the financial statements.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

Financial instruments: Credit risk

Credit risk arises from the contractual financial assets of the Fund, which comprise cash and deposits and other financial assets. The Fund's exposure to credit risk arises from potential default of a counter party on their contractual obligations resulting in financial loss to the Fund. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Fund's contractual financial assets is minimal because the main assets are cash at bank and other investments. It is the Fund's policy to only deal with entities with high credit ratings.

The Fund has an investment policy detailing controls in regard to credit risk. Any investments in a financial institution must be approved by the Committee. Investments are monitored regularly by management and an external investment advisor and are reported to the Committee on a monthly basis. Any investment deposit or redemption is approved by the Committee.

In addition, the Fund does not engage in hedging for its contractual financial assets and has contractual financial assets that are primarily cash at bank but also includes funds invested by the Committee in approved fund managers having considered advice from an independent expert investment advisor. There has been no material change to LPLC's credit risk profile in 2021–2022.

Impairment of financial assets under AASB 9

LPLC records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the LPLC's contractual receivables.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Contractual receivables at amortised cost

The LPLC applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. The LPLC has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the LPLC's past history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

On this basis, the LPLC has determined the closing loss allowance at the end of the financial year.

Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense.

Subsequent recoveries of amounts previously written off are credited against the same line item.

Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. LPLC is exposed to liquidity risk mainly through the outstanding claims liability, as disclosed in the balance sheet.

To ensure adequate liquidity to meet cash outflows the Fund maintains the necessary funds in cash and short term bank bills or term deposits.

While the receipt of the annual premium provides sufficient cash to meet most if not all of the Fund's requirements during the year, additional cash is held in reserve.

Financial instruments: Market risk

The Fund is exposed to the risk of market movements in the local and overseas equity markets through its investment in managed unit trusts in these asset classes and are primarily through interest rate risk, foreign currency risk and equity price risk.

Sensitivity Disclosure Analysis

Taking into account past performance, future expectations and management's knowledge and experience of the financial markets, the Fund believes the following movements are 'reasonably possible' over the next 12 months

- a shift of +.5% or -.25% in market interest rates from year end rates of 1.35%
- a shift of + 10% or - 10% in the average weighted market value of local equities, overseas equities and local property unquoted unit trusts.

The tables that follow show the impact on the LPLC's net result and equity for each category of financial instrument held by the LPLC at the end of the reporting period, if the above movements were to occur.

Notes to the Financial Statements

for the year ended 30 June 2022

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

Interest rate risk

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

30 June 2022			Fixed Interest maturing in:				
	Weighted average interest rate	Floating interest rate	Within year	1 to 5 years	Over 5 years	Non interest bearing	Total
Financial assets:							
Cash	0.00%	17,702,203	-	-	-	-	17,702,203
Receivables	n/a		-	-	-	3,167,664	3,167,664
Units in managed funds	n/a	-	-	-	-	199,128,502	199,128,502
Term deposits	1.65%	-	59,873,286	-	-	-	59,873,286
Total financial assets		**17,702,203**	**59,873,286**	-	-	**202,296,166**	**279,871,655**
Financial liabilities:							
Creditors - contractual	n/a	-	-	-	-	180,948	180,948
Lease liability	3.73%	-	-	570,093	-	-	570,093
Outstanding claims	n/a	-	-	-	-	113,847,000	113,847,000
Total financial liabilities		-	-	**570,093**	-	**114,027,948**	**114,598,041**

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

Interest rate risk (continued)

30 June 2021			**Fixed Interest maturing in:**				
	Weighted average interest rate	**Floating interest rate**	**Within year**	**1 to 5 years**	**Over 5 years**	**Non interest bearing**	**Total**
Financial assets:							
Cash	0.00%	15,071,740	-	-	-	-	15,071,740
Receivables	n/a		-	-	-	635,837	635,837
Units in managed funds	n/a	-	-	-	-	215,026,215	215,026,215
Term deposits	0.57%	-	61,439,433	-	-	-	61,439,433
Total financial assets		**15,071,740**	**61,439,433**	**-**	**-**	**215,662,052**	**292,173,225**
Financial liabilities:							
Creditors - contractual	n/a	-	-	-	-	167,698	167,698
Lease liability	3.73%	-	-	906,459	-	-	906,459
Outstanding claims	n/a	-	-	-	-	115,129,000	115,129,000
Total financial liabilities		**-**	**-**	**906,459**	**-**	**115,296,698**	**116,203,157**

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The fund's exposure to the risk of change in market interest rates relate primarily to the fund's investments in cash and cash equivalents. The fund's policy is to invest cash and cash equivalents with a recognised bank. Banks are selected on recommendation of our external advisors and their performance is monitored.

Interest rate risk sensitivity

		Interest rate risk				**Other price risk**			
2022	Carrying	**-0.25%**		**+.5%**		**-10%**		**+10%**	
Financial assets	amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Cash and cash equivalents	77,575,489	(193,939)	(193,939)	387,877	387,877				
Units in managed funds	199,128,502					(19,912,850)	(19,912,850)	19,912,850	19,912,850
2021	Carrying	**-0.25%**		**+.5%**		**-10%**		**+10%**	
Financial assets	Amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Cash and cash equivalents	76,511,173	(191,278)	(191,278)	382,556	382,556				
Units in managed funds	215,026,215					(21,502,622)	(21,502,622)	21,502,622	21,502,622

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 Financial instruments specific disclosures (continued)

7.1.3 Financial risk management objectives and policies (continued)

Foreign currency risk

The Fund's exposure to the risk of change in exchange rates relate primarily to the fund's investments in overseas equities. A combination of partially and fully hedged funds are used.

Managers are selected on recommendation of our external advisors and their performance is monitored.

Equity market risk

The Fund's exposure to the risk of change in equity markets relate primarily to the fund's investments in local and overseas equities.

The Fund's policy is to use independent investment managers to manage our exposure to local and overseas equities.

Managers are selected on recommendation of our external advisors and their performance is monitored.

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

There are no contingent assets.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

There are no contingent liabilities.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3 Fair value determination

This section sets out information on how the LPLC determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through profit and loss.
- property, plant and equipment

Fair value hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

Level 1 — quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Legal Practitioners' Liability Committee has determined classes of assets and liabilities on the basis of nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

7.3.1 Fair value determination of financial assets and liabilities

Financial assets:

The financial instruments recognised at fair value in the Balance Sheet have been analysed and classified using a fair value hierarchy reflecting the significance of inputs used in making the measurements. The fair value hierarchy consists of the following levels:

Level 1 — the fair value of financial instrument with standard terms and conditions and traded in active markets are determined with reference to quoted market prices;

Level 2 — the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and

Level 3 — the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3.1 Fair value determination of financial assets and liabilities (continued)

Property, plant and equipment:

Plant and equipment is held at carrying value (depreciated cost). When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method. Unless there is market evidence that the current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the carrying value.

There are no changes in valuation techniques throughout the period to 30 June 2022. For all assets measured at fair value, the current use is considered the highest and best use.

Financial assets measured at fair value

	Level 1 $	Level 2 $	Level 3 $	Total $
30-Jun-22				
FINANCIAL ASSETS				
- Unit in managed funds	-	199,128,502	-	199,128,502
30-Jun-21				
FINANCIAL ASSETS				
- Unit in managed funds	-	215,026,215	-	215,026,215

Included in Level 2 are managed equity funds and managed property/infrastructure funds. Their market value has been determined as per note 4.2.

There have been no transfers between levels during the period.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.4 Insurance contracts - risk management and procedures

The financial condition and operation of the Fund are affected by a number of key risks including insurance risk, interest rate risk and credit risk.

Notes on the Fund's policies and procedures in respect of managing these risks are set out in this note.

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Fund has an objective to control insurance risk thus reducing the volatility of operating profit. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profit from insurance business is affected by market factors, particularly the movement in asset values.

The Committee and senior management of the Fund have developed, implemented and maintain a sound and prudent Risk Management Strategy (RMS).

Key aspects of the processes established in the RMS to mitigate risk include:

- the maintenance and use of sophisticated management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- actuarial models, using information from the management information systems, are used to calculate premiums and monitor claim patterns.

Past experience and statistical methods are used as part of the process.

- reinsurance is used to limit the Fund's exposure to catastrophes.
- the mix of assets in which the fund invests is driven by the nature and term of its insurance liabilities.

(b) Terms and conditions of insurance

- the terms and conditions attached to insurance contracts affect the level of insurance risk accepted by the Fund. The majority of direct insurance contracts are entered into on a standard form basis.

(c) Concentration of risk insurance

- in the event of a catastrophe, the Legal Practitioners' Liability Fund carries a stop loss insurance policy to cover the payment of total claims made during the year ended 30 June 2022 in excess of $50.5m.

(d) Development of claims

- there is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The table in note 5.5.4 shows the estimate of total claims outstanding for each underwriting year at successive year ends with the current year being an estimate provided by our external actuarial consultant.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.4 Insurance contracts - risk management and procedures (continued)

(e) Interest rate risk

- none of the financial assets or liabilities arising from insurance or reinsurance contracts entered into by the Fund are directly exposed to interest rate risk.
- insurance and reinsurance contracts are entered into annually. At the time of entering into the contract all terms and conditions are negotiable or, in the case of renewals, renegotiable.

(f) Credit risk

- financial assets and liabilities arising from insurance and reinsurance contracts are stated in the balance sheet at the amount that best represents the maximum credit risk exposure at balance date.

LPLC manages credit risk through the maintenance of a well diversified investment portfolio, with advice provided by an external investment advisor and oversight provided by LPLC's Investment Committee. Significant levels of concentration in LPLC's investment portfolio are as follows: Vanguard Investments Australia Limited (comprising three managed funds) 32.58 per cent and Westpac Banking Corporation (term deposits and cash) 18.11 per cent.

7.5 Unexpired risk liability

When the amount of the premium pool to be collected for the next insurance year is set, it is 'subsidised' on the basis that a proportion of the accumulated funds are offset against the premium pool which would otherwise have been collected. As a result the unearned premium liability is deficient as at 30 June 2022.

At each reporting date the Fund assessed whether the unearned premium liability is sufficient to cover all the expected future cash flows relating to the future claims against current insurance contracts. This assessment is referred to as the Liability Adequacy Test.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less any related intangible assets and deferred acquisition costs then the unearned premium liability is deemed to be deficient. The Fund applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability, see note 5.5.

The entire deficiency, gross and net of insurance, is recognised immediately in the Statement of Comprehensive Income. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.5 Unexpired risk liability (continued)

7.5.1 Unexpired risk liability	**2022 $**	**2021 $**
Unexpired risk liability as at 1 July	15,670,534	13,631,274
Recognition of (reduced)/additional unexpired risk liability in the period	(464,574)	2,039,260
Unexpired risk liability as at 30 June	**15,205,960**	**15,670,534**
7.5.2 Calculation of deficiency		
Unearned premium liability relating to insurance contracts	38,618,040	35,688,466
Central estimate of present value of expected future cash flows arising from future claims	52,989,000	44,855,000
Risk margin of 14.5%	835,000	6,504,000
	53,824,000	51,359,000
Net deficiency	**15,205,960**	**15,670,534**

The process of determining the overall risk margin is discussed in Note 5.5. As with outstanding claims the overall risk margin is intended to achieve a 75% probability of adequacy.

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

8. OTHER DISCLOSURES

Introduction

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

Structure

8.1 Reserves

	2022 $	2021 $
Accumulated funds at the beginning of the year	123,111,807	115,906,991
Operating profit/(loss) for the year	(13,128,562)	7,204,816
Accumulated funds at the end of the year	**109,983,245**	**123,111,807**

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

8. OTHER DISCLOSURES (CONTINUED)

8.2 Remuneration of auditors

	2022 $	2021 $
VICTORIAN AUDITOR-GENERAL'S OFFICE		
- auditing the financial report	67,000	48,200
Total remuneration of auditors	**67,000**	**48,200**

Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the Fund's financial report:

	2022 $	2021 $
Paid as at 30 June	10,000	10,000
Payable as at 30 June	57,000	38,200
	67,000	48,200

8.3 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of Responsible Minister, Committee Member and Accountable Officer in the Fund are as follows:

Attorney-General	The Hon. Jaclyn Symes, MP	1 July 2021 to 30 June 2022
Acting Attorney-General	The Hon. Natalie Hutchins, MP	20 September 2021 to 01 October 2021
Acting Attorney-General	The Hon. Lisa Neville, MP	18 April 2022 to 18 April 2022
Acting Attorney-General	The Hon. Natalie Hutchins, MP	19 April 2022 to 27 April 2022
Acting Attorney-General	The Hon. Lisa Neville, MP	16 June 2022 to 18 June 2022
Accountable Officer	Mr Nicholas J Toohey	1 July 2021 to 30 June 2022
Committee Member	Ms Patricia Kelly	1 July 2020 to 31 December 2021
Committee Member	Ms Helen Thornton	1 July 2021 to 30 June 2022
Committee Member	Mr John Corcoran	1 July 2021 to 30 June 2022
Committee Member	Mr Adrian Finanzio	1 July 2021 to 30 June 2022
Committee Member	Mr Daniel Barlow	1 July 2021 to 30 June 2022
Committee Member	Ms Michelle Dixon	1 July 2021 to 30 June 2022
Committee Member	Ms Nicole Rich	1 July 2021 to 30 June 2022
Committee Member	Mr Mark Valena	01 January 2022 to 30 June 2022

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

8. OTHER DISCLOSURES (CONTINUED)

8.3 Responsible persons (continued)

Remuneration

Remuneration received or receivable by the Responsible Minister, Committee member and Accountable Officer in connection with the management of the Legal Practitioners' Liability Committee during the reporting period was in the range: $640,000 to $650,000 (2021: $610,000 to $620,000).

8.4 Remuneration of executives

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories:

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods and services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

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

8. OTHER DISCLOSURES (CONTINUED)

8.4 Remuneration of executives (continued)

Remuneration of SES's (including key management personnel disclosed in Note 8.5)	Total remuneration 2022 $	2021 $
Short-term employee benefits	1,842,755	1,810,644
Post-employment benefits	156,966	148,006
Other long-term benefits	27,632	26,421
Total remuneration	**2,027,353**	**1,985,072**
Total number of executives	**14**	**14**
Total annualised employee equivalents	**15**	**13.6**

Notes:

(a) The total number of SES's includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.5)

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

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

8. OTHER DISCLOSURES (CONTINUED)

8.5 Related parties

The Legal Practitioners' Liability Committee (LPLC) is a statutory authority established under the *Legal Profession Act 2004* (from 1 July 2015 *The Legal Profession Uniform Law Application Act 2014*).

Related parties of the Legal Practitioners' Liability Committee include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over); and
- all cabinet ministers and their close family members.

Significant transactions with government-related entities.

During the year the LPLC had the following government-related entity transactions:

- there were no significant transactions with government related entities, other than statutory payments relating to stamp duty on insurance premiums and Goods and Services Tax (GST).

Key Management personnel of the Legal Practitioners' Liability Committee includes the Attorney General, the Hon. Jaclyn Symes MP and members of the LPLC and senior executive team, which includes:

Chief Executive Officer	Mr Nicholas J Toohey
Chief Operating Officer	Mr Paul Quayle
Committee Member	Ms Mark Valena
Committee Member	Ms Helen Thornton
Committee Member	Mr John Corcoran
Committee Member	Ms Nicole Rich
Committee Member	Ms Michelle Dixon
Committee Member	Mr Daniel Barlow
Committee Member	Mr Adrian Finanzio

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

8. OTHER DISCLOSURES (CONTINUED)

8.5 Related parties (continued)

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the State's Annual Financial report.

	Total remuneration	
	2022	**2021**
Compensation of KMP's	**$**	**$**
Short-term employee benefits	597,191	574,729
Post-employment benefits	45,035	40,872
Other long-term benefits	6,386	6,104
Total compensation:	**648,612**	**621,705**

Notes: (a) Note that KMP's are also reported in the disclosure of remuneration of executive officers (note 8.4)

Transactions and balances with key management personnel and other related parties

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

Members of Key Management personnel and their related parties who are practising solicitors and barristers are required, pursuant to the Legal Profession Uniform Law Application Act 2014, to enter into a contract of insurance, on standard terms and conditions, with the Legal Practitioners' Liability Committee.

In the ordinary course of business LPLC provides Committee members with a Deed of Indemnity. The Deed indemnifies the Committee member against all liabilities, penalties, losses, damages, expenses and costs that the member may sustain or incur in the capacity of a member of the Committee.

8.6 Subsequent events

There were no material events after balance sheet date that require disclosure.

There were no other material matters or circumstances after balance date that require disclosure.

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

8. OTHER DISCLOSURES (CONTINUED)

8.7 Actuarial assumptions and methods

Under 17.6.1c of AASB 1023, the following describes the method and main assumptions that have the greatest effect on the calculated insurance liabilities provisions.

The Legal Practitioners' Liability Fund has provided professional indemnity insurance to solicitors since 1/1/86, and to barristers since 30/06/05. Incurred development and payment patterns derived from the average experience for solicitors over the last 5 complete policy years were assumed to apply to solicitor and barrister claims outstanding at 30/6/22.

Development year	Ultimate claims incurred as % of current estimate	Payments to end of year, as % of ultimate claims
0	85.8%*	14.2%
1	88.1%	40.0%
2	90.8%	64.0%
3	94.1%	78.4%
4	97.0%	87.0%
5	99.0%	92.2%
6	100.0%	95.3%
7	100.0%	97.2%
8	100.0%	98.3%
9	100.0%	99.0%

* Ratio of ultimate incurreds for the 2022 policy year includes 25% weight given to average costs per $m GFI.

Other main assumptions used in calculating insurance provisions and their sources are:

- discount rates based explicitly on medium term Commonwealth bond yields
- claim administration expenses of 7.8% of net claim payments based on forecasted expenses of LPLC
- wage inflation based explicitly on Victorian AWE and state government forecasts.

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

8. OTHER DISCLOSURES (CONTINUED)

8.7 Actuarial assumptions and methods (continued)

Claims incurred estimates are made by applying the above claims incurred development ratios to current claims incurred data and applying wage inflation and payment patterns. Outstanding claims at 30 June 2022 are estimated by deducting payments to date.

Gross payments in 2021–2022 for solicitors are estimated by determining an average, inflation adjusted claim incurred estimate per principal equivalent from the last 5 complete policy years and applying to expected incurred principals in 2021–2022.

Gross payments in 2021–2022 for barristers are estimated as a ratio of solicitor incurreds.

Premium liabilities are determined by applying wage inflation and payment patterns and allowing for reinsurance and overhead claim administration expenses.

The calculations used to estimate outstanding claim and unexpired premium liabilities for solicitors were repeated as at each prior balance date back to 31 December 1987 and compared with the actual outcomes estimated at 30 June 2022. Log normal distributions were fitted to the resulting percentages, and used to estimate the risk margins needed to provide varying probabilities of adequacy.

The outstanding claims are assumed to have a standard deviation of 14 per cent and the premium liabilities a standard deviation of 36 per cent.

Sensitivity analysis as at 30/6/22

Risk variable	Base	Altered	Outstanding claims ($m)	Premium liability ($m)
Discount rate (% pa)	2.5% to 4.0%	3.5% to 5.0%	-2.062	-1.286
	2.5% to 4.0%	1.5% to 3.0%	2.157	1.352
Claim administration	7.80%	8.80%	1.002	
expenses (% of claims)	7.80%	6.80%	-1.002	
Wage inflation (% pa)	2.5% to 3.0%	3.5% to 4.0%	1.063	0.227
	2.5% to 3.0%	1.5% to 2.0%	-1.166	0.036
"Regular" solicitor claims per	6,174	6,791	0.176	0.462
principal equivalent	6,174	5,556	-0.191	0.104
"Large" claims ($m)	$14.9m	$16.3m		0.246
	$14.9m	$13.4m		-0.069

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

8. OTHER DISCLOSURES (CONTINUED)

8.7 Actuarial assumptions and methods (continued)

Sensitivity analysis as at 30/6/21

Risk variable	Base	Altered	Outstanding claims ($m)	Premium liability ($m)
Discount rate (% pa)	0.10%	1.10%	-2.564	-1.238
	0.10%	-0.90%	2.724	1.316
Claim administration expenses (% of claims)	7.80%	8.80%	0.962	
	7.80%	6.80%	-0.962	
Wage inflation (% pa)	2.25%	3.25%	2.785	1.604
	2.25%	1.25%	-2.662	-1.468
"Regular" solicitor claims per principal equivalent	3,550	3,910	0.717	2.686
	3,550	3,200	-0.697	-2.611
"Large" claims ($m)	$12.4m	$10.7m		-1.716
	$12.4m	$14.0m		1.716

Under AASB 1023 17.7.1(b)(i), the insurer has to disclose sensitivity to insurance risk.
The above table gives the changes in central estimates for changes in various risk variables.

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

8. OTHER DISCLOSURES (CONTINUED)

8.8 Australian Accounting Standards issued that are not yet effective

A number of Australian Accounting Standards, which have been issued or amended and are not yet effective have not been adopted for the annual reporting period ended 30 June 2022. Their details are disclosed below.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector financial statements
AASB 17 *Insurance Contracts*	The new Australian standard eliminates inconsistencies and weaknesses in existing practices to provide a single principle-based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides for presentation and disclosure to enhance comparability between entities. This standard does not apply to not-for-profit public sector entities.	1 Jan 2023	The Australian Accounting Standards Board has currently issued an Exposure Draft (ED) 319 – *Insurance Contracts in the Public Sector*, proposing public-sector modifications to AASB 17 to facilitate the application by public sector entities. It is proposed that public sector entities would apply AASB 17 to annual periods beginning or after 1 July 2025, with earlier application permitted.

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

8. OTHER DISCLOSURES (CONTINUED)

8.8 Australian Accounting Standards issued that are not yet effective (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector financial statements
AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified. AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* was issued in August 2020 and defers the effective date to annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022, with earlier application permitted.	1 Jan 2023	The standard is not expected to have a significant impact on the public sector.

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

8. OTHER DISCLOSURES (CONTINUED)

8.9 Glossary

Amortisation is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset.

Effective interest method is the method used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:

(a) a contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

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

8. OTHER DISCLOSURES (CONTINUED)

8.9 Glossary (continued)

(b) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements comprises:

(a) a balance sheet as at the end of the period;

(b) a comprehensive operating statement for the period;

(c) a statement of changes in equity for the period;

(d) a cash flow statement for the period;

(e) notes, comprising a summary of significant accounting policies and other explanatory information;

(f) comparative information in respect of the preceding period.

(g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Payables includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

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