

**legalsuper**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023  
ABN: 60 346 078 879**

**legalsuper**  
**TABLE OF CONTENTS**

	<b>Page</b>
<b>Statement of Financial Position</b>	<b>1</b>
<b>Income Statement</b>	<b>2</b>
<b>Statement of Changes in Member Benefits</b>	<b>3</b>
<b>Statement of Changes in Reserves</b>	<b>4</b>
<b>Statement of Cash Flows</b>	<b>5</b>
<b>Notes to the Financial Statements</b>	
<b>1. Reporting Entity</b>	<b>6</b>
<b>2. Summary of significant accounting policies</b>	<b>6 - 11</b>
<b>3. Member benefits</b>	<b>12</b>
<b>4. Fair value of financial instruments</b>	<b>12 - 14</b>
<b>5. Receivables</b>	<b>14</b>
<b>6. Property, plant and equipment</b>	<b>15</b>
<b>7. Leases</b>	<b>15</b>
<b>8. Payables</b>	<b>15</b>
<b>9. Changes in fair value of investments</b>	<b>16</b>
<b>10. Funding arrangements</b>	<b>16</b>
<b>11. Reserves</b>	<b>17</b>
<b>12. Income tax</b>	<b>17 - 18</b>
<b>13. Investment expenses</b>	<b>18</b>
<b>14. Operating expenses</b>	<b>18</b>
<b>15. Auditors remuneration</b>	<b>19</b>
<b>16. Cash flow statement reconciliation</b>	<b>19</b>
<b>17. Segment Information</b>	<b>19</b>
<b>18. Related party disclosures</b>	<b>19 - 21</b>
<b>19. Financial risk management objectives and policies</b>	<b>22 - 25</b>
<b>20. Investment Commitments</b>	<b>25</b>
<b>21. Insurance</b>	<b>25</b>
<b>22. Significant events after balance date</b>	<b>25</b>
<b>Trustee Declaration</b>	

**legalsuper**  
**Statement of Financial Position**  
**As at 30 June 2023**

	Note	2023 \$	2022 \$
<b>Assets</b>			
Cash and cash equivalents	16	11,388,764	19,133,236
Receivables	5	360,991	343,782
Investments			
Cash and short term deposits	4	643,843,732	508,105,009
Australian fixed interest securities	4	208,807,760	185,349,400
International fixed interest securities	4	183,573,975	143,843,831
Australian equities	4	1,538,782,619	1,424,215,906
International equities	4	1,577,497,695	1,372,020,084
Alternative assets	4	877,760,976	845,522,402
Property	4	509,190,472	505,769,066
Property, plant and equipment	6	346,507	254,699
Right-of-use assets	7(i)	1,612,957	-
Deferred tax assets	12	928,147	956,777
<b>Total assets</b>		<b>5,554,094,595</b>	<b>5,005,514,192</b>
<b>Liabilities</b>			
Lease liabilities	7(ii)	(1,633,970)	-
Payables	8	(7,627,779)	(7,954,512)
Income tax payable		(8,322,852)	(4,791,489)
Deferred tax liabilities	12	(75,597,253)	(52,450,661)
<b>Total liabilities excluding member benefits</b>		<b>(93,181,854)</b>	<b>(65,196,662)</b>
<b>Net assets available for member benefits</b>		<b>5,460,912,741</b>	<b>4,940,317,530</b>
<b>Member benefits</b>			
Allocated to members		(5,440,114,030)	(4,920,157,315)
Unallocated to members		(3,458,347)	(5,037,737)
Total member benefits	3	(5,443,572,377)	(4,925,195,052)
<b>Net assets</b>		<b>17,340,364</b>	<b>15,122,478</b>
<b>Equity</b>			
General reserve	11	(5,160,041)	(4,138,885)
Operational risk reserve	11	(12,180,323)	(10,983,593)
<b>Total equity</b>		<b>(17,340,364)</b>	<b>(15,122,478)</b>

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

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**Income Statement**  
**For the year ended 30 June 2023**

	Note	2023 \$	2022 \$
<b>Superannuation activities</b>			
Interest		7,765,901	3,293,430
Distributions and dividends		180,600,629	164,439,830
Changes in assets measured at fair value	9	293,325,261	(272,012,157)
Other investment income		1,899,981	2,130,596
Other income		479,406	222,914
<b>Total superannuation activities income</b>		<b>484,071,178</b>	<b>(101,925,387)</b>
Investment expenses	13	(17,742,559)	(3,167,220)
Administration expenses		(5,189,431)	(4,449,027)
Operating expenses	14	(17,364,493)	(14,609,725)
<b>Total expenses</b>		<b>(40,296,483)</b>	<b>(22,225,972)</b>
<b>Net result from superannuation activities</b>		<b>443,774,695</b>	<b>(124,151,359)</b>
Less: Net benefits allocated to members' accounts		(415,026,768)	92,575,346
<b>Profit/(loss) before income tax</b>		<b>28,747,927</b>	<b>(31,576,013)</b>
<b>Income tax expense/(benefit)</b>	12	26,530,041	(29,805,660)
<b>Profit/(loss) after income tax</b>		<b>2,217,886</b>	<b>(1,770,353)</b>

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

**legalsuper**  
**Statement of Changes in Member Benefits**  
**For the year ended 30 June 2023**

	Note	2023 \$	2022 \$
<b>Opening balance of member benefits</b>		4,925,195,052	4,934,037,855
Contributions:			
Employer		259,116,936	232,237,281
Member		96,688,792	104,497,997
Transfer from other superannuation plans		75,166,002	77,906,287
Government co-contributions		197,266	201,183
Income tax on contributions		(41,997,239)	(37,570,846)
<b>Net after tax contributions</b>		<b>389,171,757</b>	<b>377,271,902</b>
Benefits to members/beneficiaries		(279,652,917)	(294,975,982)
Insurance premiums charged to members' accounts		(21,369,418)	(21,011,319)
Death and disability insurance benefits credited to members' accounts		15,201,135	22,447,942
Benefits allocated to members' accounts, comprising:			
Net investment income		415,796,919	(91,835,504)
Administration fees		(770,151)	(739,842)
<b>Closing balance of member benefits</b>	3	<b><u>5,443,572,377</u></b>	<b><u>4,925,195,052</u></b>

The above Statement of Changes in Member Benefits should be read in conjunction with the accompanying notes.

**legalsuper**  
**Statement of Changes in Reserves**  
**For the year ended 30 June 2023**

	<b>General reserve</b>	<b>Operational risk reserve</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening balance as at 1 July 2022</b>	4,138,885	10,983,593	15,122,478
Profit/(loss)	1,021,156	1,196,730	2,217,886
<b>Closing balance as at 30 June 2023</b>	<b>5,160,041</b>	<b>12,180,323</b>	<b>17,340,364</b>

	<b>General reserves</b>	<b>Operational risk reserve</b>	<b>Total equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Opening balance as at 1 July 2021</b>	5,051,950	11,840,881	16,892,831
Profit/(loss)	(913,065)	(857,288)	(1,770,353)
<b>Closing balance as at 30 June 2022</b>	<b>4,138,885</b>	<b>10,983,593</b>	<b>15,122,478</b>

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

**legalsuper**  
**Statement of Cash Flows**  
**For the year ended 30 June 2023**

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Interest received		7,765,901	3,293,430
Distributions and dividends		180,600,629	164,439,830
Insurance proceeds		15,670,799	22,527,922
Other general administration expenses		(22,530,839)	(18,709,075)
Other income		1,919,348	2,113,821
Investment expenses		(17,972,715)	(3,047,543)
Insurance premiums		(21,159,197)	(21,136,780)
Income tax paid		176,544	(15,420,349)
<b>Net cash inflows from operating activities</b>	16	<u>144,470,469</u>	<u>134,061,255</u>
<b>Cash flows from investing activities</b>			
(Net purchase) of investments		(261,306,271)	(226,807,318)
(Net purchase) of fixed assets		(427,510)	(39,693)
<b>Net cash outflows from investing activities</b>		<u>(261,733,781)</u>	<u>(226,847,011)</u>
<b>Cash flows from financing activities</b>			
Employer contributions		259,116,936	232,237,281
Member contributions		96,688,792	104,497,997
Transfers from other superannuation plans received		75,166,002	77,906,287
Government co-contributions received		197,266	201,183
Benefits paid to members		(279,652,917)	(294,975,982)
Income tax paid on contributions received		(41,997,239)	(37,570,846)
<b>Net cash inflows from financing activities</b>		<u>109,518,840</u>	<u>82,295,920</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(7,744,472)	(10,489,836)
<b>Cash and cash equivalents at the beginning of the financial period</b>		19,133,236	29,623,072
<b>Cash and cash equivalents at the end of the financial period</b>	16	<u><b>11,388,764</b></u>	<u><b>19,133,236</b></u>

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

**legalsuper**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2023**

**1. Reporting entity**

legalsuper is a superannuation fund that was established on 6 March 1989. Since inception it has provided accumulation benefits and from 1 July 2006 it has also provided pension benefits. Under legalsuper's trust deed, Legal Super Pty Ltd (A.B.N. 37 004 455 789) is its trustee. Members' entitlements are comprised of units valued using the unit price for the investment option(s) in which a member is invested.

In accordance with amendments to the Superannuation Industry (Superannuation) Act 1993 legalsuper was registered with the Australian Prudential Regulation Authority on 9 June 2006. (Registration number RSEL0002585).

The registered office of the Trustee of legalsuper (Legal Super Pty Ltd) is located in Australia at level 9, 627 Chapel Street, South Yarra. It does not pay dividends to its shareholders. All net profits generated by legalsuper, subject to any amounts held in reserve, are distributed to members.

**2. Summary of significant accounting policies**

**(a) Basis of preparation**

The Financial Statement has been prepared in accordance with Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board, the Superannuation Industry (Supervision) Act 1993 and Regulations and the provisions of the Trust Deed.

legalsuper is a not-for-profit entity for the purpose of preparing financial statements

Amounts in the financial statements have been rounded off to the nearest whole dollars. The amounts disclosed in Note 20 have been rounded off to the nearest thousand dollars.

The financial statements were authorised for issue by the Board of Legal Super Pty Ltd, on 21st September 2023.

**(b) New accounting standards and interpretations**

**(i) New and amended standards adopted by the Fund**

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

**(ii) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2022 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

New or revised requirement	Title	Effective date (annual periods beginning on or after)	30 June 2023 Year-end applicability
AASB 2020-1	Clarifies classification of current/non-current liabilities	1 Jan 2023	Optional
AASB 2021-2	Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates	1 Jan 2023	Optional
AASB 2021-5	Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023	Optional
AASB 2021-6	Reflecting updated terminology used in AASB101	1 Jan 2023	Optional

The Trust is a registrable superannuation entity that is subject to amendments made to the Corporations Act 2001 by the Treasury Laws Amendment (2002 Measures No.4) Act 2022. These amendments are effective for financial years beginning on or after 1 July 2023 and bring registrable superannuation entities such as the Trust into the financial reporting provisions of the Corporations Act 2001.

Accordingly, for the Trust's income year ending 30 June 2024, the Trust will be required to prepare an annual report, consisting of a financial report (including financial statements, notes and a directors' declaration), a directors' report (including a remuneration report) and an attached auditor's report and auditor's independence declaration. There will be no impacts to the recognition and measurement requirements utilised in the preparation of the financial report of the Trust as a result of these changes.



## **2. Summary of significant accounting policies (continued)**

### **(c) Assessment as investment entity**

Entities that meet the definition of an investment entity within AASB 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

legalsuper's product disclosure statement states its objective of providing services to members which includes investing in a diversified investment portfolio for the purpose of returns in the form of investment income and capital appreciation.

legalsuper reports to its members via an annual report on a fair value basis. All investments are reported at fair value to the extent allowed by AASB 1056 in legalsuper's annual report. legalsuper has a documented exit strategy for all of its investments.

The Trustee has also concluded that legalsuper meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities; it has more than one investor and its investors are not related parties.

The Trustee has therefore concluded that legalsuper meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics changes.

The Fund currently has no subsidiaries.

### **(d) Financial assets and liabilities**

#### **(a) Classification**

legalsuper classifies its financial assets and financial liabilities into the categories below in accordance with AASB 9.

#### *Financial assets and liabilities held for trading*

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. All derivatives are classified as held for trading. Derivative financial instruments entered into by legalsuper do not meet the hedge accounting criteria as defined by AASB 9. Consequently hedge accounting is not applied by legalsuper.

#### *Financial instruments designated at fair value through profit or loss upon initial recognition*

These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of legalsuper.

#### *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. legalsuper includes in this category short term receivables.

#### *Other financial liabilities*

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Other financial liabilities are measured at their nominal amounts. Amounts are generally settled within 30 days of being recognised as other financial liabilities. Given the short-term nature of other financial liabilities, the nominal amount approximates fair value.

#### **(b) Recognition**

legalsuper recognises a financial asset or financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that legalsuper commits to purchase or sell the asset.

#### **(c) Derecognition**

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

- i. The rights to receive cash flows from the asset have expired; or
- ii. legalsuper has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows full without material delay to a third party under a 'pass-through' arrangement; and

## **2. Summary of significant accounting policies (continued)**

### **(d) Financial assets and liabilities (continued)**

- iii. Either (a) legalsuper has transferred substantially all the risks and rewards of the asset, or (b) legalsuper has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

legalsuper derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires

#### *(d) Initial measurement*

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in income statement

Loans and receivables and financial liabilities (other than those classified at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, legalsuper recognises the difference in the income statement, unless specified otherwise.

#### *(e) Subsequent measurement*

After initial measurement, legalsuper measures investments and derivatives at fair value through profit or loss. Subsequent changes in the fair value of those investments are recorded as 'changes in assets measured at fair value' through the income statement. Interest earned is recorded in 'Interest revenue' according to the terms of the contract. Dividend revenue is recorded in 'dividend revenue'.

#### **(e) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by legalsuper.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

legalsuper uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair Values have been determined as follows:

#### *Market quoted investments*

The fair value of an investment for which there is a readily available market quotation is determined as the last quoted sale price at the close of business on year end.

#### *Non-market quoted investments*

Investments for which market quotations are not readily available are valued at the fair value determined by the Trustee as follows:

- i) Unlisted securities are recorded with reference to recent arm's length transactions, current market value of another instrument substantially the same or discounted cash flows.
- ii) Where discounted cash flow techniques are used, estimated future cash flows are based on Trustee's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms, condition and risk.
- iii) Where other pricing models are used, inputs are based on market data at year end.
- iv) Private equity investments are valued according to the most recent valuation obtained from the underlying manager at fair value adjusted for subsequent investments, redemptions and significant changes in underlying market conditions through to year end.

## **2. Summary of significant accounting policies (continued)**

### **(e) Fair value measurements (continued)**

#### *Derivative Financial Instruments*

Derivative financial instruments including financial futures and forward exchange contracts, interest rate swaps, exchange traded and other options and forward rate agreements are recorded at a mark to market basis at year end using the most recent verifiable sources of market prices or generally accepted valuation principles.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. Refer to Note 4.

### **(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and short-term deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Short term deposits are held with banks and/or authorised deposit-taking institutions.

For the purposes of the Statement of Cash Flows, no bank overdrafts existed at 30 June 2023 (2022: nil).

### **(g) Receivables and payables**

Receivables are carried at nominal amounts due which approximate fair value. Receivables are normally settled within 30 days. An allowance for expected credit losses is only made where there is objective evidence that the debt will not be collected. Objective evidence may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults

Payables are carried at nominal amounts which approximate fair value. They represent liabilities for goods and services provided to legalsuper prior to year end that are unpaid when legalsuper becomes obliged to make future payments in respect of the purchase of these goods or services. Payables are normally settled on 30 day terms

### **(h) Property, plant and equipment**

Depreciation on property, plant and equipment is calculated using the diminishing value method as follows

- Building Improvements	7%-10% p.a.
- Furniture and fittings and computers	10%-40% p.a.
- Cost - Low Value Cost Pool	18.75%-37.50% p.a.

### **(i) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to legalsuper and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

#### **Changes in fair value**

Changes in the fair value of investments and derivatives are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. All changes are recognised in the income statement

#### **Interest**

Interest revenue on cash and other financial assets carried at fair value is recorded according to the terms of the contract and is recognised in the Income Statement.

#### **Dividends and distributions**

Dividend and distribution revenue is recognised when legalsuper's right to receive payment is established. Revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately as tax expense in the Income Statement.

## **2. Summary of significant accounting policies (continued)**

### **(j) Income tax**

legalsuper is a complying superannuation fund for the purposes of the provisions of the Income Tax Assessment Act 1997. Accordingly, the concessional tax rate of 15% has been applied to legalsuper's taxable income.

Income tax in the income statement for the year comprises current and deferred tax.

- i) Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by year end.
- ii) Deferred tax is provided on all temporary differences at year end between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at year end.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### **(k) Lease**

The Fund's incremental borrowing rate is the rate that the Fund would have to pay to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Using the modified retrospective approach, the Fund also recognises a right-of-use asset at the date of initial application. The asset is measured at the initial application date at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

Right-of-use assets are depreciated over the lease term or estimated useful life, whichever is the shorter, using the straight line method.

Payments associated with short-term leases of equipment and offices, all leases of low-value assets and any leases with substitution rights to the underlying asset are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets of less than \$10,000 and comprise of IT equipment and small items of office furniture.

## **2. Summary of significant accounting policies (continued)**

### **(l) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows.

### **(m) Foreign currency**

The functional and presentation currency of the Fund is Australian Dollars, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity managed in Australian Dollars. Therefore, the Australian Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions

Transactions in foreign currencies are initially recorded at the functional currency spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at year end

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in a previous financial report, are recognised in the income statement in the year in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### **(n) Accrued benefits**

The liability for accrued benefits is legalsuper's present obligation to pay benefits to members and beneficiaries arising from membership up to 30 June.

### **(o) Significant accounting judgements, estimates and assumptions**

The preparation of legalsuper's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies and estimates have been consistently applied in the current and prior financial years unless otherwise stated. The key estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements are described in Note 4 Fair value of financial instruments.

**legalsuper**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2023**

**3. Member benefits**

Member balances are valued using a unit price determined by the Trustee based on underlying investment valuations.

Members bear the investment risk relating to the underlying assets and unit prices used to value member balances  
Unit prices are updated daily.

At 30 June 2023 \$3,458,347 (2022: \$5,037,737) was not allocated to members at year end. The amount not yet allocated to members' accounts consists of contributions and insurance proceeds received by legalsuper that have not been able to be allocated to members as at year end.

Refer to Note 19 for the Fund's management of the investment risks.

Member benefits vest 100% to members.	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Members benefits at end of the year	<u>5,443,572,377</u>	<u>4,925,195,052</u>
As compared to net assets available for member benefits	<u>5,460,912,741</u>	<u>4,940,317,530</u>

**4. Fair value of financial instruments**

**(a) Classification of financial instruments under the fair value hierarchy**

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- 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
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

	30-Jun-23			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Investments</b>				
Cash and short term deposits	643,843,733	-	-	643,843,733
Australian fixed interest securities	-	208,807,760	-	208,807,760
International fixed interest securities	-	183,573,975	-	183,573,975
Australian equities	1,343,320,784	195,461,835	-	1,538,782,619
International equities	1,577,497,695	-	-	1,577,497,695
Alternative assets	-	272,923,774	604,837,202	877,760,976
Property	-	509,190,472	-	509,190,472
<b>Total investments</b>	<u>3,564,662,212</u>	<u>1,369,957,816</u>	<u>604,837,202</u>	<u>5,539,457,230</u>

	30-Jun-22			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Investments</b>				
Cash and short term deposits	508,105,009	-	-	508,105,009
Australian fixed interest securities	-	185,349,400	-	185,349,400
International fixed interest securities	-	143,843,831	-	143,843,831
Australian equities	1,296,729,192	127,486,714	-	1,424,215,906
International equities	1,372,020,084	-	-	1,372,020,084
Alternative assets	-	256,183,421	589,338,981	845,522,402
Property	-	505,769,066	-	505,769,066
<b>Total investments</b>	<u>3,176,854,285</u>	<u>1,218,632,432</u>	<u>589,338,981</u>	<u>4,984,825,698</u>

**4. Fair value of financial instruments (continued)**

**(a) Classification of financial instruments under the fair value hierarchy (continued)**

**Valuation process for Level 3 valuations**

Valuations are the responsibility of the Trustee.

For financial instruments classified in Level 3 in the fair value hierarchy some of the inputs to the valuation models are unobservable and therefore subjective in nature. The use of reasonably possible alternative assumptions could produce a different fair value measurement. If the impact of using those alternative assumptions would cause the fair value of Level 3 assets to be higher or lower by 5% of the net assets of legalsuper then the result for the year would have been higher or lower by \$30,241,860 (2022: \$29,466,949).

**Significant unobservable inputs in level 3 measuring financial instruments**

The below table sets out information about significant unobservable inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type	Fair value as at \$	Valuation approach	Key unobservable input	Range of estimates (weighted average for unobservable input)	Inter-relationship between key unobservable inputs and fair value measurement
Units in unlisted unit trusts					
30 June 2023	604,837,202	Some of legalsuper's investments are in units in pooled investment trusts. These pooled investment trusts regularly issue unit prices which legalsuper uses to value its investment in those trusts.	Valuation based on the advice of the Fund's investment managers as at the reporting date.	20%-80% (50%)	Increases or decreases in the valuation of the underlying investments owned by the pooled investment trust will increase or decrease fair value. Significant redemptions from the pooled investment trust by its investors may necessitate the sale of investments to provide liquidity. If significant redemptions were to occur for a protracted period, the pooled investment trust may suspend redemptions in the interests of maintaining equity for all investors.
30 June 2022	589,338,981				

**Collective trusts and mandates**

The below table sets out the balance of collective trusts and mandates disclosed at fair value.

	2023 \$	2022 \$
Collective trusts	3,059,601,325	2,808,407,764
Mandates	2,479,855,905	2,176,417,934
	<u>5,539,457,230</u>	<u>4,984,825,698</u>

**legalsuper**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2023**

**4. Fair value of financial instruments (continued)**

**(b) Level 3 reconciliation**

30 June 2023	Alternative assets \$	Total \$
Opening balance	589,338,981	589,338,981
Total realised/unrealised gains and (losses)	(11,401,828)	(11,401,828)
Purchases/applications	163,109,713	163,109,713
(Sales)/(redemptions)	(142,626,649)	(142,626,649)
Distributions and interest income	6,416,985	6,416,985
Transfers into / (out of) level 3	-	-
<b>Closing balance</b>	<b>604,837,202</b>	<b>604,837,202</b>

30 June 2022	Alternative assets \$	Total \$
Opening balance	541,235,748	541,235,748
Total realised/unrealised gains/(losses)	38,939,846	38,939,846
Purchases/applications	291,395,625	291,395,625
(Sales)/(redemptions)	(318,013,844)	(318,013,844)
Distributions and interest income	35,781,606	35,781,606
Transfers into / (out of) level 3	-	-
<b>Closing balance</b>	<b>589,338,981</b>	<b>589,338,981</b>

**(c) Transfers Between Hierarchy Levels**

The Trustee has reviewed the methodology used to classify financial instruments between levels 1, 2 and 3 for 2023 and 2022. The above table reflects the revised methodology.

**5. Receivables**

	2023 \$	2022 \$
<b>Recoverable within 12 months</b>		
GST receivable	294,706	254,336
Prepayments	66,285	70,079
Sundry receivables	-	19,367
	<b>360,991</b>	<b>343,782</b>

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value

The maximum exposure to credit risk is the fair value of receivables, information regarding credit risk exposure is set out in Note 19.



**legalsuper**  
Notes to the Financial Statements  
For the year ended 30 June 2023

**6. Property, plant and equipment**

	2023	2022
	\$	\$
<u>Building improvements</u>		
Cost	107,387	-
Accumulated depreciation	(9,144)	-
	<u>98,243</u>	<u>-</u>
<u>Office equipment and furniture</u>		
Cost	1,059,481	978,525
Accumulated depreciation	(818,915)	(732,950)
	<u>240,566</u>	<u>245,575</u>
<u>Cost - Low Value Cost Pool</u>		
Cost	17,702	15,246
Accumulated depreciation and impairment	(10,004)	(6,122)
	<u>7,698</u>	<u>9,124</u>
Net written down value	<u>346,507</u>	<u>254,699</u>

**7. Leases**

**(i) Right-of-use assets**

	2023	2022
	\$	\$
Cost of right-of-use assets	1,856,005	-
Accumulated Amortisation	(243,048)	-
	<u>1,612,957</u>	<u>-</u>

**(ii) Lease liabilities**

	2023	2022
	\$	\$
Not later than one year	222,035	-
Later than one year and not later than five years	1,041,228	-
Later than five years	592,742	-
	<u>1,856,005</u>	<u>-</u>

The Fund leases an office premises from Goldfields House Pty Ltd and the lease term is 7 years commencing on 1 August 2023

**8. Payables**

	2023	2022
	\$	\$
<b>Due within 12 months</b>		
Insurance premiums payable	5,415,317	5,205,096
Audit fees payable	89,348	218,050
Operating expenses payable	849,060	1,079,219
Administration expenses payable	353,117	335,087
Provision for employee benefits	682,979	955,364
Sundry creditors	237,958	161,696
	<u>7,627,779</u>	<u>7,954,512</u>

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 19

**legalsuper**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2023**

**9. Changes in fair value of investments**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Investments held at year end</b>		
Cash and short term deposits	(6,732,224)	(26,118,914)
Interest bearing securities	(8,024,623)	(17,652,503)
Australian equities	71,530,149	(191,510,574)
International equities	216,264,835	(65,290,895)
Alternative assets	169,301	3,171,633
Property	(36,611,049)	43,852,654
<b>Total unrealised gains/(losses)</b>	<b>236,596,389</b>	<b>(253,548,599)</b>
<b>Investments realised during the year</b>		
Cash and short term deposits	(8,466,212)	6,122,146
Interest bearing securities	(226,097)	(920,114)
Australian equities	49,856,089	(25,487,694)
International equities	15,661,376	(9,247,298)
Alternative assets	(716,164)	7,133,628
Property	619,880	3,935,774
<b>Total realised gains/(losses)</b>	<b>56,728,872</b>	<b>(18,463,558)</b>
<b>Change in fair value of investments</b>	<b>293,325,261</b>	<b>(272,012,157)</b>

The amounts recorded as 'realised gains/(losses)' above is the difference between the fair value at sale and the carrying amount at the beginning of the year or when acquired, if acquired during the year

**10. Funding arrangements**

During the year ended 30 June 2023, employers contributed the Superannuation Guarantee Charge of 10.5% (2022: 10%) to legalsuper on behalf of members. Member and additional employer contributions are paid to legalsuper at a rate determined by the member and/or employer.

**legalsuper**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2023**

**11. Reserves**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
General reserve	5,160,041	4,138,885
Operational risk reserve	12,180,323	10,983,593
	<u>17,340,364</u>	<u>15,122,478</u>

The Board has established a general reserve which may be used in certain circumstances as approved by the Board. Pursuant to APRA Prudential Standard SPS 114: Operational Risk Financial Requirement (ORFR), the Board has approved an Operational Risk Financial Requirement Policy (ORFR Policy). This ORFR Policy has established an Operational risk reserve (ORR) as part of the financial management of legalsuper which is reviewed at least annually. The ORR is subject to a target amount of 0.25% of net assets, subject to a tolerance limit of a 20% or more reduction in that target amount when the ORR will be replenished. The ORR may be used in certain circumstances to address operational risk events or claims against legalsuper arising from operational risk.

**12. Income tax**

(a) Major components of income tax expense/(benefit) for the years ended 30 June 2023 and 2022:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Income statement</b>		
<i>Current tax expense</i>		
Current tax charge	4,816,978	6,191,994
Adjustments in respect of current income tax of previous years	(1,462,159)	2,766,327
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	23,175,222	(38,763,981)
<b>Total tax expense/(benefit) as reported in the Income Statement</b>	<u>26,530,041</u>	<u>(29,805,660)</u>

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
(b) Reconciliation between income tax expense/(benefit) and accounting profit before income tax		
Profit/(loss) from operating activities	28,747,927	(31,576,013)
Income tax at 15%	4,312,189	(4,736,402)
Derecognition of temporary differences	314,043	316,435
Net benefit allocated to member accounts	62,369,537	(13,775,327)
Anti-detriment deduction	-	-
Capital (gains)/losses not (assessable)/deductible	(14,482,453)	5,066,274
Exempt pension income	(5,851,469)	1,322,185
Net imputation and foreign tax credits	(18,669,647)	(20,765,152)
Under/(over) provision in the previous year	(1,462,159)	2,766,327
	<u>26,530,041</u>	<u>(29,805,660)</u>

## 12. Income tax (continued)

(c) Deferred Tax

	Opening balance \$	2023 (Deducted) / added to income \$	Closing balance \$
<b>Deferred tax assets</b>			
Fund expenses accrued but not paid	956,777	(28,630)	928,147
	<u>956,777</u>	<u>(28,630)</u>	<u>928,147</u>
<b>Deferred tax liabilities</b>			
Income receivable	(58,849)	(570,472)	(629,321)
Unrealised (gains) / losses on investments	(52,391,812)	(22,576,120)	(74,967,932)
	<u>(52,450,661)</u>	<u>(23,146,592)</u>	<u>(75,597,253)</u>
<b>Net deferred tax (liability) / asset</b>	<u>(51,493,884)</u>	<u>(23,175,222)</u>	<u>(74,669,106)</u>
	Opening balance \$	2022 (Deducted) / added to income \$	Closing balance \$
<b>Deferred tax assets</b>			
Fund expenses accrued but not paid	968,135	(11,358)	956,777
	<u>968,135</u>	<u>(11,358)</u>	<u>956,777</u>
<b>Deferred tax liabilities</b>			
Income receivable	(498,659)	439,810	(58,849)
Unrealised (gains) / losses on investments	(90,727,341)	38,335,529	(52,391,812)
	<u>(91,226,000)</u>	<u>38,775,339</u>	<u>(52,450,661)</u>
<b>Net deferred tax (liability) / asset</b>	<u>(90,257,865)</u>	<u>38,763,981</u>	<u>(51,493,884)</u>

legalsuper offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities

## 13. Investment expenses

	2023 \$	2022 \$
Asset consultancy fees	473,327	401,139
Custodian fees	1,737,774	1,624,942
Other investment fees	1,065,191	1,141,139
Investment Management Fees	14,466,267	-
	<u>17,742,559</u>	<u>3,167,220</u>

In 2022, investment management fees of \$15,709,858 were reported within unrealised gains losses. As this balance was not material, a change to the prior year presentation was not made.

## 14. Operating expenses

	2023 \$	2022 \$
Director's remuneration	506,880	467,821
Staff costs and support	8,838,111	7,797,565
Audit, tax and legal fees	2,538,181	1,605,878
Statutory fees	553,160	487,022
Member service & support expenses	2,731,901	2,083,313
Other expenses	2,196,261	2,168,126
	<u>17,364,493</u>	<u>14,609,725</u>

legalsuper incurs operating costs in managing its operations. These expenses are shown in the Income Statement. legalsuper recovers its operating costs from members. It deducts a member fee of \$1.30 (2022: \$1.30) per week from all member accounts and all other operating costs are recovered by the deduction of 0.29% (2022: 0.29%) from member balances.

**legalsuper**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2023**

**15. Auditors' remuneration**

	2023 \$	2022 \$
Amounts received or due and receivable by Deloitte, for:		
- audit of the financial statements and other statutory assurance services	176,225	189,000
	<u>176,225</u>	<u>189,000</u>
Amounts received or due and receivable by PricewaterhouseCoopers, for:		
- internal audit, taxation and other services	354,304	202,728
	<u>530,529</u>	<u>391,728</u>

**16. Cash flow statement reconciliation**

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2023 \$	2022 \$
Cash and cash equivalents	<u>11,388,764</u>	<u>19,133,236</u>

**Reconciliation of net cash from operating activities to net profit after income tax**

Profit / (loss) after income tax	2,217,886	(1,770,353)
<b>Adjustments for:</b>		
Distributions reinvested	-	-
(Increase) / decrease in assets measured in fair value	(293,325,261)	272,012,157
Depreciation and impairment	356,715	126,767
(Increase) / decrease in insurance	(6,168,283)	1,436,623
(Increase) / decrease in receivables	(17,208)	6,725
Increase / (decrease) in payables	(326,733)	50,691
Increase / (decrease) in income tax payable	26,706,585	(45,226,009)
Allocation to member accounts	415,026,768	(92,575,346)
<b>Net cash outflows from operating activities</b>	<u>144,470,469</u>	<u>134,061,255</u>

**17. Segment information**

legalsuper operates solely in one reportable business segment, being the provision of superannuation benefits to members. legalsuper also operates from one reportable geographic segment, being Australia, from where its activities are managed. Revenue is derived from interest, dividends, gains on the sale of investments and unrealised changes in the value of investments

**18. Related party disclosures**

**a) Trustee**

The Trustee of legalsuper is Legal Super Pty Ltd. The shareholders of Legal Super Pty Ltd are the Law Institute of Victoria and the Law Society of New South Wales, each holding 50% of the issued capital of Legal Super Pty Ltd. No dividends are paid to the shareholders of Legal Super Pty Ltd.

The Board of Legal Super Pty Ltd has ten directors, including:

- (i) Independent Chair – Kirsten Mander
- (ii) 4 employer directors – Adam Awty, Andrew Boog, Richard Fleming, and Richard Flitcrof
- (iii) 5 member directors – Imogen Stumi, James Peters AM, KC, Kamal Farouque, Daniel Papps, Mary Macker

The Independent Chair is appointed by the Board of Legal Super Pty Ltd.

All other directors are nominated by the stakeholders of legalsuper, including:

- (i) 2 employer directors by the Law Institute of Victoria;
- (ii) 2 employer directors by the Law Society of New South Wales;
- (iii) 2 member directors by the New South Wales Local Government, Clerical, Administrative, Energy, Airlines and Utilities Union, trading as the United Services Union;
- (iv) 2 member directors by the Australian Municipal, Administrative, Clerical and Services Union, trading as the Australian Services Union (Victorian Private Sector Branch); and
- (v) 1 member director by the Victorian Bar Inc.

**18. Related party disclosures (continued)**

**b) Director remuneration**

The remuneration of Directors differs to reflect their varying workload. Some Committees meet more often and more time is involved for the Chairs of Committees.

The remuneration of the Independent Chair is determined by the Board. The remuneration of other Directors requires the approval of the organisations that nominate directors (i.e. the stakeholders set out above). Remuneration is indexed annually for a cost of living adjustment. Travel, accommodation and other incidental costs associated with performing their responsibilities as directors are either paid directly by legalsuper or paid by a director and reimbursed by legalsuper.

Remuneration paid to the Directors for the last two years is shown below. Remuneration is gross of any tax impacts for the recipient and includes any superannuation contributions paid or salary sacrificed. As indicated in the table, some directors have instructed the Trustee to pay their remuneration to another organisation.

Director fees paid to each of the Directors were as follows:

**Current directors at 30 June 2023**

<b>Director name</b>	<b>Committee roles</b>	<b>Remuneration paid to:</b>	<b>2023</b>	<b>2022</b>
			<b>\$</b>	<b>\$</b>
Kirsten Mander	Remuneration (Chair since 15/12/2017)	Director	115,287	108,168
Richard Flitcroft	Audit, Risk and Governance (Chair since 31/03/2021)	Director	57,644	54,084
Imogen Sturni	Administration and Insurance	Australian Services Union	46,114	43,266
Richard Fleming	Investment (Chair since 04/03/2018)	Director	63,407	59,491
Andrew Boog	Audit, Risk and Governance Remuneration	Director	46,114	43,266
Adam Trevor Awty	Administration and Insurance (Chair since 22/09/2022)	Director	56,290	43,266
James William Sturrock Peters	Investment	Director	51,879	48,675
Kamal Farouque	Investment (commenced on 21/09/2022)	Director	40,481	-
Mary Macken	Audit, Risk and Governance  (commenced on 17/10/2022)	Director United Services Union	28,583 4,173	- -
Daniel Papps	Administration and Insurance (commenced on 11/10/2022)	United Services Union	33,488	-
<b>Retired directors</b>				
Carita Kazakoff	Remuneration Administration and Insurance (Chair since 04/03/2018, retired 02/09/2022)	Australian Services Union	10,044	54,084
Anastasia Polites	Audit, Risk and Governance (retired 29/07/2022)	Director	3,843	43,266
Nikhil Mishra	Investment (retired 13/10/2022)	Director	14,823	48,675
<b>Total</b>			<b>572,170</b>	<b>546,241</b>

**18. Related party disclosures (continued)**

**b) Director remuneration (continued)**

During the year legalsuper paid Trustee service fees to Legal Super Pty Ltd of \$995,613 (2022: \$920,804). Trustee service fees paid by the fund are a reimbursement of expenses incurred for directors fees, trustee indemnity insurance, training and development and meeting costs.

Legal Super Pty Ltd has in place a trustee liability insurance policy for director and officer liabilities, professional indemnity and crime. During the Directors have the benefit of a right of indemnity under the Constitution of the Trustee

The following directors are members of legalsuper:

- |  |   |
|--|---|
| (i) Anastasia Polites (retired 29/07/2022) | (vii) Carita Kazakoff (retired 02/09/2022)    |
| (ii) Nikhil Mishra (retired 13/10/2022)    | (viii) Richard Flitcroft                      |
| (iii) Adam Trevor Awty                     | (ix) Kamal Farouque (commenced on 21/09/2022) |
| (iv) James Peters AM, KC                   | (x) Daniel Papps (commenced on 11/10/2022)    |
| (v) Imogen Sturni                          | (xi) Mary Macken (commenced on 17/10/2022)    |
| (vi) Richard Fleming                       |   |

Directors are subject to the same terms and conditions that apply to all other members of legalsuper.

**c) Key management personnel**

The Board has determined that the following individuals are responsible officers of the Trustee:

- (i) Andrew Proebstl – Chief Executive (resigned on 23/11/2022)
- (ii) Luke Symons – Chief Executive (commenced on 11/04/2023)
- (iii) Norman Zhang - Chief Investment Officer
- (iv) Kaye Wheatley Brown - Executive Manager, Legal, Risk & Compliance
- (v) Jessica Lancashire - Executive Manager of People & Culture
- (vi) Carrie Norman - Chief Member Officer
- (vii) Trevin Erichsen - Chief Operating Officer (commenced on 12/09/2022, ceased on 16/08/2023)

The above individuals were key management personnel of legalsuper and its Trustee during the year. They are employed by the Trustee and

Remuneration paid and payable to the responsible officers for services to legalsuper is as follows:

	<b>2023</b>	<b>2022</b>
Short-term employee benefits (salaries)	2,155,099	2,067,434
Post-employment benefits (superannuation)	225,686	172,156
Other long-term benefits (payable)	26,755	174,347
<b>Total</b>	<b><u>2,407,539</u></b>	<b><u>2,413,937</u></b>

Apart from disclosures in this note, no key management personnel have entered into a contract for services with legalsuper since the end of the previous financial year and there are no contracts involving key management personnel subsisting at year end.

**d) Other**

The Trustee sponsors professional development events in the legal community. This sponsorship also increases awareness of legalsuper's products and services in the legal community.

The aggregate amount paid for these sponsorships was \$296,372 (2022: \$254,218).

The organisations sponsored by legalsuper include the shareholders of the Trustee, the Law Institute of Victoria and the Law Society of New South Wales.

## **19. Financial risk management objectives and policies**

### **(a) Financial instruments**

legalsuper's principal financial instruments are units in pooled superannuation trusts, equity securities, fixed interest securities, cash and short-term deposits. The main purpose of these financial instruments is to generate a return.

legalsuper also has other financial instruments such as sundry receivables and payables, which arise directly from its operations and are mainly current in nature.

legalsuper has entered into foreign currency hedging contracts to mitigate movements in foreign currency, legalsuper also indirectly invests in derivatives via unit trust investments. Investments in derivatives are not used to gear legalsuper's investment portfolio, and are limited to the asset allocation limits for the underlying investment class.

The main risks arising from legalsuper's financial instruments are interest rate risk, credit risk, market risk and currency risk. The Trustee has policies for managing each of these risks and they are summarised below.

legalsuper's accounting policies in relation to derivatives are set out in Note 2.

### **(b) Market risk**

Market risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

Market risk is minimised by ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

#### **(i) Other price risk**

Other price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar instruments traded in the market. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

legalsuper is exposed to the price risk relating to changes in the fair value of its investments. Changes in the fair value of investments are due to movements in the unit price of the unit trusts that legalsuper invests in or changes in the value or prices of underlying assets or securities.

The Trustee mitigates this risk through careful selection of investment managers that trade in securities and other financial instruments within specified limits. legalsuper's overall market positions are monitored by the Trustee.

The asset allocation ranges for each investment option have been determined by the Trustee. These ranges have been set to ensure the appropriate overall fund risk is maintained and to ensure satisfactory diversification across asset classes. Investments in each asset class will be spread over more than one investment manager. In this way legalsuper is less exposed to the risk of investment failure of one investment manager.

The volatility of expected returns for the purpose of this analysis has been based on historical analysis and input from the Trustee's asset consultant (Frontier). The following table represents the returns that would be considered reasonably possible based on the underlying asset classes as at year end.



**19. Financial risk management objectives and policies (continued)**

**(i) Other price risk (continued)**

**Sensitivity analysis**

This analysis has been performed on a pre tax basis.

	Carrying amount	Movement in underlying sectors	Increase/ (decrease) in profit (loss) before tax	Increase/ (decrease) in equity
<b>2023</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
Australian fixed interest securities	208,808	4.75%	9,918	9,918
International fixed interest securities	183,574	4.75%	8,720	8,720
Australian equities	1,538,783	25.45%	391,620	391,620
International equities	1,577,498	21.00%	331,275	331,275
Property	509,190	11.55%	58,811	58,811
Alternative assets				
Infrastructure	388,811	14.95%	58,127	58,127
Equity strategies	216,026	29.65%	64,052	64,052
Debt	208,284	10.50%	21,870	21,870

	Carrying amount	Movement in underlying sectors	Increase/ (Decrease) in profit (loss) before tax	Increase/ (decrease) in equity
<b>2022</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
Australian fixed interest securities	185,349	4.75%	8,804	8,804
International fixed interest securities	143,844	4.75%	6,833	6,833
Australian equities	1,424,216	25.45%	362,463	362,463
International equities	1,372,020	21.00%	288,124	288,124
Property	505,769	11.55%	58,416	58,416
Alternative assets				
Infrastructure	424,352	14.95%	63,441	63,441
Equity strategies	164,987	29.65%	48,919	48,919
Debt	256,183	10.50%	26,899	26,899

**(ii) Currency risk**

Currency risk is the risk that the fair value or future cashflow of a financial instrument will fluctuate because of changes in foreign exchange rates. legalsuper has exposure to foreign currency risk by way of securities denominated in a foreign currency. Foreign exchange contracts are used by investment managers within a mandate approved by the Trustee to mitigate the risk of foreign currency movements.

Total net exposure to fluctuations in foreign currency exchange rates at year-end was as follows:

*Sensitivity analysis*

The movement in exchange rates for the purpose of this analysis has been based on historical analysis and input from the Trustee's asset

	Carrying amount	Movement in exchange rate	Increase/ (decrease) in profit (loss) before tax	Increase/ (decrease) in equity
<b>2023</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
USD	324,417	16.80%	54,502	54,502
EUR	71,055	13.00%	9,237	9,237
JPY	28,034	19.40%	5,439	5,439
GBP	(24,847)	17.10%	(4,249)	(4,249)
Other	19,706	16.80%	3,311	3,311

	Carrying amount	Movement in exchange rate	Increase/ (decrease) in profit (loss) before tax	Increase/ (decrease) in equity
<b>2022</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
USD	172,657	16.80%	29,006	29,006
EUR	1,916	13.00%	249	249
JPY	24,034	19.40%	4,663	4,663
GBP	1,404	17.10%	240	240
Other	25,456	16.80%	4,277	4,277

**19. Financial risk management objectives and policies (continued)**

**(ii) Currency risk (continued)**

An 16.62% strengthening/weakening of the Australian dollar against the tabled currencies at 30 June 2023 would have \$68,240,000 (2022: \$38,435,000) (decreased)/increased to the net assets available to pay member benefits and the net result from superannuation activities by the amounts as shown above. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2022.

**(iii) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. legalsuper's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing securities.

The following table sets out the carrying amount, by maturity, of legalsuper's financial instruments that are exposed to interest rate risk.

2023	Weighted average effective int Rate	Floating interest rate	Fixed Interest Rate - Time to Maturity			
			1 Year or less	1 - 5 Years	Over 5 years	Total
	% p.a.	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
Cash at bank	2.91%	11,389	-	-	-	11,389
Cash & short term deposits	1.94%	-	643,844	-	-	643,844
		11,389	643,844	-	-	655,232

2022	Weighted average effective int Rate	Floating interest rate	Fixed Interest Rate - Time to Maturity			
			1 Year or less	1 - 5 Years	Over 5 years	Total
	% p.a.	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
Cash at bank	0.17%	19,133	-	-	-	19,133
Cash & short term deposits	0.64%	-	508,105	-	-	508,105
		19,133	508,105	-	-	527,238

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

Financial instruments of legalsuper, other than fixed interest rate securities and financial assets mentioned in above tables, are non-interest bearing and therefore are not subject to interest rate risk.

**Sensitivity analysis**

The following table represents the returns that would be considered reasonably possible based on expected movements in interest rates as at year end.

	2023			2022		
	Carrying amount	Change in interest rates	Increase/ (decrease) in profit (loss) before tax	Carrying amount	Change in interest rates	Increase/ (decrease) in profit (loss) before tax
	\$'000	%	\$'000	\$'000	%	\$'000
<b>Financial assets</b>						
Cash at bank	11,389	1.50%	171	19,133	1.50%	287
Cash & short term deposits	643,844	1.50%	9,658	508,105	1.50%	7,622

**(iv) Credit risk**

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause legalsuper to incur a financial loss.

With respect to credit risk arising from the financial assets of legalsuper, other than derivatives, legalsuper's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these investments.

In relation to derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by undertaking transactions with counterparties on recognised exchanges, and ensuring that transactions are undertaken with a number of counterparties.

## 19. Financial risk management objectives and policies (continued)

### (iv) Credit risk (continued)

legalsuper's financial assets exposed to credit risk amount to the following:

	2023 \$'000	2022 \$'000
Cash and cash equivalents	11,389	19,133
	<u>11,389</u>	<u>19,133</u>

There are no significant concentrations of credit risk within legalsuper.

### (v) Liquidity and cash flow interest rate risk

Liquidity risk is the risk that legalsuper will encounter difficulty in raising funds to meet commitments associated with financial instruments. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, legalsuper invests in financial instruments, which under normal market conditions are readily convertible to cash.

2023	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 month \$'000	1-6 months \$'000	> 6 months \$'000
<b>Financial liabilities</b>					
Accounts payable	6,945	6,945	-	6,945	-
Income tax payable	8,323	8,323	-	8,323	-
Provision for employee benefits	683	683	-	-	683
Deferred income tax liability	75,597	75,597	-	-	75,597
Vested benefits	5,443,572	5,443,572	5,443,572	-	-
<b>Total financial liabilities</b>	<b>5,535,120</b>	<b>5,535,120</b>	<b>5,443,572</b>	<b>15,268</b>	<b>76,280</b>

2022	Carrying amount \$'000	Contractual cash flows \$'000	Less than 1 month \$'000	1-6 months \$'000	> 6 months \$'000
<b>Financial liabilities</b>					
Accounts payable	6,999	6,999	-	6,999	-
Income tax payable	4,791	4,791	-	4,791	-
Provision for employee benefits	955	955	-	-	955
Deferred income tax liability	52,451	52,451	-	-	52,451
Vested benefits	4,925,195	4,925,195	4,925,195	-	-
<b>Total financial liabilities</b>	<b>4,990,391</b>	<b>4,990,391</b>	<b>4,925,195</b>	<b>11,790</b>	<b>53,406</b>

Vested benefits, as per Note 3, have been included in the less than one month column, as this is the amount that members could call upon as at year-end. This is the earliest date on which legalsuper could be required to pay members vested benefits, however members may not necessarily call upon amounts vested to them during this time.

## 20. Investment Commitments

	2023 \$	2022 \$
legalsuper has outstanding investment capital commitments. Commitments contracted for year end but not recognised as liabilities are as follows:		
- not later than 1 year	59,418,719	91,483,403
- later than 1 year but not later than 5 years	19,561,086	92,753,234
- later than 5 years	139,690,799	79,847,920
	<u>218,670,604</u>	<u>264,084,557</u>

## 21. Insurance

Employed members of legalsuper receive death and disability insurance on joining unless they opt out (opt in for under age 25 or where the account balance is less than \$6,000). For members who have valid insurance, this insurance provides a lump sum pursuant to an insurance policy taken out by the Trustee.

## 22. Significant events after balance date

BNP Paribas Securities Services (BNP Paribas), a wholly-owned subsidiary of the BNP Paribas Group, was legalsuper's custodian as at 30 June 2023. legalsuper is in the process of transitioning custodian services from BNP Paribas to Northern Trust Company. The transition is expected to be completed during financial year 2024, with commencement date from 01 October 2023.

**legalsuper**  
**Financial Statements**  
**For the year ended 30 June 2023**  
**TRUSTEE DECLARATION**

In the opinion of the Trustee of legalsuper:

- (a) the accompanying financial statements and notes set out on pages 1 to 25 are in accordance with:
- (i) Australian Accounting Standards and other mandatory professional reporting requirements, and
  - (ii) present fairly the Fund's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- (b) the Fund has been conducted in accordance with its constituent Trust Deed and the requirements of the Superannuation Industry (Supervision) Act 1993 and its accompanying Regulations; the relevant requirements of the Corporations Act 2001 and Regulations; the requirements under section 13 of the Financial Sector (Collection of Data) Act 2001 during the year ended 30 June 2023; and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of Legal Super Pty Ltd (A.B.N. 37 004 455 789).

Dated this 21st day of September 2023

Melbourne, Victoria

  
Kirsten Mander  
Sep 21, 2023

Kirsten Mander  
Chair - Board

  
Richard Flitcroft  
Sep 21, 2023

Richard Flitcroft  
Chair - Audit, Risk and Governance Committee

## Report by the RSE Auditor to the trustee and members legalsuper ABN 60 346 078 879

### *Opinion*

We have audited the financial statements of legalsuper for the year ended 30 June 2023 as set out on pages 1 to 25 attached.

In our opinion, the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards the financial position of legalsuper as at 30 June 2023 and the results of its operations, cash flows, changes in reserves and changes in members' benefits for the year ended 30 June 2023.

### *Basis for Opinion*

We conducted the audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the entity in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### *Responsibilities of the trustee for the Financial Statements*

The RSE's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the RSE to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the RSE or cease operations, or has no realistic alternative but to do so.

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

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

As part of an audit in accordance with the Australian Auditing Standards, we exercised professional judgement and maintained professional scepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our 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.
- Obtained 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 RSE's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Concluded on the appropriateness of the trustee'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 RSE's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the RSE to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicated with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.
- Obtained sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



DELOITTE TOUCHE TOHMATSU



Fiona O'Keefe  
Partner  
Chartered Accountants

Melbourne, 21 September 2023