



Financial statements



LEGAL AID QUEENSLAND

**Financial Statements
for the year ended 30 June 2017**

LEGAL AID QUEENSLAND
for the year ended 30 June 2017

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for the year ended 30 June 2017

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LEGAL AID QUEENSLAND
Statement of Comprehensive Income
for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Income from continuing operations			
Revenue			
Grants and other contributions	A1-1	116,254	111,024
User charges	A1-2	2,585	2,253
Interest		1,383	1,403
Other revenue		23	39
Total revenue		120,245	114,719
Gains on disposal/revaluation of assets			
Revaluation increment	B3-1	3,665	-
Gain on disposal of property, plant and equipment		19	2
Total income from continuing operations		123,929	114,721
Expenses from continuing operations			
Supplies and services	A2-1	74,562	68,139
Employee expenses	A2-2	46,372	44,716
Grants to legal centres		50	51
Depreciation and amortisation	B3, B4	1,572	1,481
Revaluation decrement	B3-1	-	116
Impairment losses/(reversals)	B2-1	108	(26)
Other expenses	A2-3	205	199
Total expenses from continuing operations		122,869	114,676
Operating result from continuing operations		1,060	45
Other comprehensive income			
<u>Items not recyclable to operating result:</u>			
Increase/(decrease) in asset revaluation surplus	B7-1	(3,642)	3,642
Total other comprehensive income		(3,642)	3,642
Total comprehensive income		(2,582)	3,687

The accompanying notes form part of these statements.

LEGAL AID QUEENSLAND
Statement of Financial Position
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	B1	44,743	42,374
Receivables	B2	852	918
Other		803	912
Total current assets		46,398	44,204
Non -current assets			
Receivables	B2	398	388
Property, plant and equipment	B3	27,255	27,242
Intangible assets	B4	1,849	2,463
Total non-current assets		29,502	30,093
Total assets		75,900	74,297
Current liabilities			
Trade creditors	C2-1	2,307	2,826
Accrued employee benefits	B5	5,381	5,013
Provision for grants of aid	B6	18,763	16,163
Grants payable to community legal centres	E4	1,074	61
Unearned grants revenue		1,259	1,002
Lease incentives		23	-
Total current liabilities		28,807	25,065
Non-current liabilities			
Provision for grants of aid	B6	4,473	4,324
Grants payable to community legal centres	E4	200	-
Lease incentives		94	-
Total non-current liabilities		4,767	4,324
Total liabilities		33,574	29,389
Net assets		42,326	44,908
Equity			
Accumulated surplus		25,416	24,356
Asset revaluation surplus	B7-1	16,910	20,552
Total equity		42,326	44,908

The accompanying notes form part of these statements

LEGAL AID QUEENSLAND
Statement of Changes in Equity
for the year ended 30 June 2017

	Accumulated surplus		Asset revaluation surplus		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July	24,356	24,311	20,552	16,910	44,908	41,221
Operating result from continuing operations	1,060	45		-	1,060	45
<i>Other comprehensive income</i>						
Increase/(decrease) in asset revaluation surplus	-	-	(3,642)	3,642	(3,642)	3,642
<i>Total comprehensive income for the year</i>	1,060	45	(3,642)	3,642	(2,582)	3,687
Balance as at 30 June	25,416	24,356	16,910	20,552	42,326	44,908

The accompanying notes form part of these statements.

LEGAL AID QUEENSLAND
Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Inflows			
Grants and other contributions		117,725	110,632
Service charges		2,672	2,739
GST input tax credit from ATO		9,338	8,769
Other		1,406	1,442
		<u>131,141</u>	<u>123,582</u>
Outflows			
Supplies and services		(81,488)	(76,079)
Employee expenses		(45,968)	(44,223)
Grants to legal centres		(50)	(51)
GST remitted to ATO		(190)	(300)
Other		(137)	(138)
		<u>(127,833)</u>	<u>(120,791)</u>
Net cash provided by/(used in) operating activities	CF-1	<u>3,308</u>	<u>2,791</u>
Cash flows from investing activities			
Inflows			
Proceeds from sale of plant and equipment		117	23
Outflows			
Payments for plant and equipment		(1,050)	(528)
Payments for intangibles		(6)	(126)
		<u>(1,056)</u>	<u>(654)</u>
Net cash provided by/(used in) investing activities		<u>(939)</u>	<u>(631)</u>
Net increase/(decrease) in cash and cash equivalents		2,369	2,160
Cash and cash equivalents at beginning of financial year		42,374	40,214
Cash and cash equivalents at end of financial year	B1	<u>44,743</u>	<u>42,374</u>

The accompanying notes form part of these statements.

LEGAL AID QUEENSLAND
Statement of Cash Flows
for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
NOTES TO THE STATEMENT OF CASH FLOWS		
CF-1 Reconciliation of operating surplus to net cash provided by operating activities		
Operating surplus	1,060	45
Depreciation and amortisation expense	1,572	1,481
Revaluation (increment)/decrement	(3,665)	116
Impairment losses on trade receivables	13	(50)
Net gain on sale of property, plant and equipment	(9)	(1)
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade debtors	(9)	242
(Increase)/decrease in GST receivable	52	56
(Increase)/decrease in prepayments	109	(171)
Increase/(decrease) in trade creditors	(519)	(1,084)
Increase/(decrease) in GST payable	-	(31)
Increase/(decrease) in accrued employee benefits	368	534
Increase/(decrease) in provision for grants of aid	2,749	591
Increase/(decrease) in grants payable to community legal centres	1,213	61
Increase/(decrease) in unearned grants revenue	257	1,002
Increase/(decrease) in lease incentives	117	-
Net cash from operating activities	3,308	2,791

LEGAL AID QUEENSLAND
Basis of Financial Statement Preparation
for the year ended 30 June 2017

General information

Legal Aid Queensland is a statutory body funded by the Queensland and Commonwealth Governments through agreements, to enhance access to justice by providing legal assistance to Queensland residents who are financially disadvantaged.

Statement of compliance

Legal Aid Queensland has prepared these financial statements in compliance with section 43 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements are prepared having regard to Queensland Treasury's Minimum Reporting Requirements for the year ended 30 June 2017, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, Legal Aid Queensland has applied those requirements applicable to not-for-profit entities, as Legal Aid Queensland is a not-for-profit statutory body.

Measurement

The historical cost convention is used unless fair value is stated as the measurement basis. New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note E6.

Presentation matters

Currency and rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparatives

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period as detailed in Note E8.

Current/Non-Current Classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the organisation does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

LEGAL AID QUEENSLAND
Basis of Financial Statement Preparation
for the year ended 30 June 2017

Authorisation of financial statements for issue

The financial statements are authorised for issue by the Board Chair and Chief Finance Officer at the date of signing the Management Certificate.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

SECTION 1

NOTES ABOUT OUR FINANCIAL PERFORMANCE

A1 REVENUE

A1-1 Grants and other contributions

	2017 \$'000	2016 \$'000
Commonwealth Government		
Legal services	43,825	42,098
Community legal centres*	112	110
Commonwealth expensive cases reimbursement	743	1,309
	<u>44,680</u>	<u>43,517</u>
State Government		
Legal services	66,645	45,566
Other projects**	4,929	1,690
	<u>71,574</u>	<u>47,256</u>
Other		
Department of Justice and Attorney-General grant***	-	20,251
Total grants and other contributions	<u>116,254</u>	<u>111,024</u>

* This represents funding for the Community Legal Centre program manager.

** Included in Other projects is a \$3.7M Queensland Government funding for the provision of additional domestic violence duty lawyer services and \$0.8M Queensland Health funding for Mental Health Review Tribunal.

*** Department of Justice and Attorney-General grant:
Distributions to Legal Aid Queensland can only be made from the Legal Practitioner Interest on Trust Accounts Fund established under that *Legal Profession Act 2004*, with the authority of the Minister. This payment has been consolidated as part of State Government revenue from 2016-17.

A1-2 User Charges

Case Contributions	844	1,117
Cost recovery – Family****	557	653
Cost recovery – Others	1,184	483
Total user charges	<u>2,585</u>	<u>2,253</u>

**** Included in the Cost recovery - Family are contributions from independent children's lawyers (ICL) matters.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

A1 REVENUE (continued)

Accounting policy - Revenue recognition

Service charges are recognised when services are delivered and invoiced. Government grants and other contributions that are non-reciprocal in nature are recognised as operating revenue in the year in which the organisation obtains control over them. Government grants that are reciprocal in nature and unspent are recognised as a liability, Unearned Grants Revenue.

Interest income is interest received from investment deposits on call with Queensland Treasury Corporation and cash held with Commonwealth Bank.

A2 EXPENSES

A2-1 Supplies and services

	2017	2016
	\$'000	\$'000
Outsourced services		
Legal representation	58,750	54,981
Other	4,205	3,248
	<u>62,955</u>	<u>58,229</u>
Corporate overheads		
Communications and transport	1,046	1,074
Information technology	2,089	1,874
Office premises and requisites	3,635	2,784
Operating leases rentals	2,506	2,499
Other	2,331	1,679
	<u>11,607</u>	<u>9,910</u>
Total	<u>74,562</u>	<u>68,139</u>

Accounting policy – Operating lease rentals

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred. Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

Disclosure – Operating leases

Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. Lease terms extend over a period of 5 to 15 years. The organisation has no option to purchase the leased item at the conclusion of the lease although some leases provide for a right of renewal while some are renegotiated at the end of the lease terms. Operating lease rental expenses comprises the minimum lease payments payable under operating lease contracts. Lease payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

A2 EXPENSES (continued)

A2-2 Employee expenses

	2017	2016
	\$'000	\$'000
Employee benefits		
Wages and salaries	38,537	37,239
Employer superannuation contributions	4,596	4,413
Long service leave levy	802	761
Termination benefits	55	-
Employee related expenses		
Payroll tax	2,287	2,201
Workers' compensation premium	95	102
Total	46,372	44,716

The number of employees as at 30 June, including both full-time and part-time employees, measured on a full-time equivalent basis is:

	2017	2016
Number of employees	474	456

Accounting policy - Wages and salaries

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates.

As Legal Aid Queensland expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Accounting policy - Sick leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

A2 EXPENSES (continued)

A2-2 Employee expenses (continued)

Accounting policy - Annual leave

Annual leave is classified and measured as other long term employee benefits as the organisation does not expect to wholly settle all such liabilities within 12 months following the reporting date. However, it is presented as a current liability as the organisation does not have an unconditional right to defer payment for at least 12 months after the end of the reporting period. For annual leave's liability where it is not expected to be wholly settled within 12 months of the end of the reporting period, it is measured at the present value of the expected future payments to be made to the employees, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity. Refer to Note E8 for the impact of incorrectly disclosing annual leave as a non-current provision.

Accounting policy - Long service leave

Under the Queensland Government's long service leave scheme, a levy is made on Legal Aid Queensland to cover this cost. Levies are expensed in the period in which they are paid or payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

Accounting policy - Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Defined Contribution Plans

QSuper is the default fund for Queensland Government employees, however from July 2017, employees can choose their superannuation provider. Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant Enterprise Bargaining Agreement (EBA) or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined Benefit Plan

The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The amount of contributions for defined benefit plan obligations is based upon the rates determined by the Treasurer on the advice of the State Actuary. Contributions are paid by the organisation at the specified rate following completion of the employee's service each pay period. The organisation's obligations are limited to those contributions paid.

Key management personnel and remuneration disclosures are detailed in Note E1.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

A2 EXPENSES (continued)

A2-3 Other expenses

	2017	2016
	\$'000	\$'000
Insurance premiums – professional	60	55
Insurance premiums – other	77	77
External audit fees	58	60
Loss on asset disposals	10	1
Special payments:		
Ex-gratia payments – payments to former Core Agreement employees	-	6
Total	205	199

Audit fees

Total external audit fees relating to the 2016-17 financial statements are estimated to be \$58,000 (2016: \$60,000). There are no non-audit services included in this amount.

Special payments

Special payments include ex gratia expenditure and other expenditure that Legal Aid Queensland is not contractually or legally obligated to make to other parties. In compliance with section 20 of the *Financial and Performance Management Standard 2009*, Legal Aid Queensland maintains a register setting out details of all special payments greater than \$5,000.

In 2015-16, as part of the settlement offer to finalise negotiations for the State Government Entities Certified Agreement 2015, an undertaking was made that a Section 831 one-off payment of \$1,300 (or pro-rata) would be extended to those employees who resigned, retired or otherwise moved to other employment arrangements after 1 April 2016, but before the agreement was certified on 1 June 2016. These payments attracted applicable salary on-costs

Accounting policy - Insurance

Legal Aid Queensland's non-current physical assets and other risks are insured through AON Insurance, premiums being paid on a risk assessment basis.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

SECTION 2

NOTES ABOUT OUR FINANCIAL POSITION

B1 CASH AND CASH EQUIVALENTS

	2017	2016
	\$'000	\$'000
Imprest accounts	3	3
Cash at bank	716	712
Queensland Treasury Corporation Cash Fund	44,024	41,659
Total	44,743	42,374

Cash deposited with the Queensland Treasury Corporation earned interest at rates between 2.45% and 2.94% (2016: 2.75% and 3.81%). Interest earned on cash held with the Commonwealth Bank earned between 1.35% and 1.60% (2016: 1.60% and 1.85%).

Accounting policy - Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June. It also includes liquid investment deposits on call with the Queensland Treasury Corporation Cash Fund that are convertible readily to cash on hand at Legal Aid Queensland's option and are subject to a low risk of changes in value

B2 RECEIVABLES

	2017	2016
	\$'000	\$'000
Current		
Trade debtors	220	234
GST receivable	649	701
GST payable	(17)	(17)
	632	684
Total	852	918
Non-current		
Trade debtors	499	476
Less: Allowance for impairment loss	(101)	(88)
Total	398	388

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B2 RECEIVABLES (continued)

Accounting policy - Receivables

Trade debtors are recognised at the nominal amounts due at the time of service delivery. Settlement due date is within 30 days from invoice date. However, they are often negotiated with each customer, having regard to the individual's financial circumstances and the security held by Legal Aid Queensland.

Other debtors generally arise from transactions outside the usual operating activities of the organisation. No interest is charged and no security is obtained for these debts.

Disclosure – Credit risk exposure of receivables

The maximum exposure to credit risk at balance date for trade debtors is the gross carrying amount of those assets inclusive of any provisions for impairment.

Collateral in the form of mortgages representing charges over real property are held by Legal Aid Queensland. Of the \$618,574 recorded in trade debtors, \$312,120 is secured by mortgages and caveat, reducing the credit risk the organisation is exposed to.

The collectability of trade debtors is assessed periodically with provision being made where trade debtors are impaired. All known bad debts were written-off as at 30 June.

B2-1 Impairment of receivables

The recognised impairment loss in the Statement of Comprehensive Income is \$108,000 for the current year, an increase of \$134,000 from 2016, this being primarily related to a number of aged contributions unable to be recovered due to clients no longer contactable.

(i) Disclosure - Individually impaired receivables position (aged)

	Gross receivables	2017 Allowance for impairment	Carrying amount	Gross receivables	2016 Allowance for impairment	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Overdue						
Less than 1 year	30	(30)	-	-	-	-
1-2 years	39	(39)	-	30	(30)	-
2-3 years	15	(15)	-	3	(3)	-
Greater than 3 years	17	(17)	-	55	(55)	-
Total overdue	101	(101)	-	88	(88)	-

The carrying amount for the individually impaired financial assets is zero but they are not written off as yet as recovery effort is still being made on them. However, they will be fully written off when all avenues of recovery have been exhausted. The interest earned by the impaired financial assets was \$2,444 (2016: \$1,800).

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B2 RECEIVABLES (continued)

B2-1 Impairment of receivables (continued)

(ii) Disclosure - Ageing of past due but not impaired receivables

	2017	2016
	\$'000	\$'000
Overdue		
Less than 1 year	85	111
1-2 years	21	52
2-3 years	44	80
Greater than 3 years	305	277
Total overdue	455	520

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B3 PROPERTY PLANT AND EQUIPMENT AND RELATED DEPRECIATION EXPENSE

B3-1 Property plant and equipment – balances and reconciliation of carrying amount

	2017 \$'000	2016 \$'000
Land		
At fair value	18,210	21,852
Building		
At gross value	4,790	1,148
	4,790	1,148
Less accumulated depreciation	-	-
Fair value	4,790	1,148
Plant and equipment		
At cost	10,395	9,973
Less accumulated depreciation	(5,915)	(5,540)
Less accumulated impairment losses	(236)	(236)
	4,244	4,197
Work in progress	11	45
Total	27,255	27,242

Land and Building

Land and building were comprehensively revalued at \$23M as at 30 June 2017 by Jones Lang La Salle (JLL), an independent professional valuer, on a fair value basis in accordance with the requirements of the Australian Accounting Standard AASB 13 *Fair Value Measurement* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*. The resulting valuation is categorised into level 2 of the fair value hierarchy.

Valuation Approach: Capitalisation of net income and discounted cash flow.

Inputs: Sales and leasing evidence from various industry sources, market indicators and investor sentiment. Where applicable, adjustments are made for the location, quality of the building, leasing covenants and re-development potential of the site.

Key Judgement: Given the property's land size, build improvement, classification and the notional lease, the highest and best use for the property as at the date of valuation is its current use as a commercial office building. The high levels of residential apartment supply in the current market coupled with a difficult office leasing market are creating subdued level of interest across the development site market. However, investor demand for real estate assets remain very strong for assets with favourable leasing conditions and under the assumption of a 7 year notional lease calculation in the valuation, the property is considered to provide a reasonably strong leasing covenant and cash flow security over the short to medium term. This change in the market conditions have resulted in the decline in the land value and an increase in the building value for the organisation.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B3 PROPERTY PLANT AND EQUIPMENT AND RELATED DEPRECIATION EXPENSE (continued)

B3-1 Property plant and equipment – balances and reconciliation of carrying amount (continued)

Represented by movements in carrying amount

	Land		Building		Plant and equipment		Work in progress		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	21,852	18,210	1,148	1,290	4,197	4,140	45	879	27,242	24,519
Acquisitions	-	-	-	-	321	-	729	116	1,050	116
Disposals	-	-	-	-	(108)	(22)	-	-	(108)	(22)
Transfers between classes	-	-	-	-	763	950	(763)	(950)	-	-
Net revaluation increment/(decrement) in operating surplus	-	-	3,665	(116)	-	-	-	-	3,665	(116)
Net revaluation increment/(decrement) in asset revaluation surplus	(3,642)	3,642	-	-	-	-	-	-	(3,642)	3,642
Depreciation	-	-	(23)	(26)	(929)	(871)	-	-	(952)	(897)
Carrying amount at 30 June	18,210	21,852	4,790	1,148	4,244	4,197	11	45	27,255	27,242

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B3 PROPERTY PLANT AND EQUIPMENT AND RELATED DEPRECIATION EXPENSE
(continued)

B3-2 Accounting policies

Property plant and equipment

Recognition thresholds for property plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition.

Land \$1
Plant and equipment \$5,000
Buildings \$10,000

Items with a lesser value are expensed in the year of acquisition.

Acquisition of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition including architect fees, engineering design fees and other costs incurred in getting the asset ready for use.

Measurement of property plant and equipment using fair value

Land and buildings are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair value Measurement* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable.

In respect of the abovementioned assets classes, the cost of items acquired during the financial year has been judged by management of Legal Aid Queensland to materially represent their fair value at the end of the reporting period.

Measurement of property plant and equipment using cost

Plant and equipment are measured at cost in accordance with Queensland Treasury's *Non-Current Asset Policies*. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Revaluation of property plant and equipment measured at fair value

Property, plant and equipment measured at fair value are comprehensively revalued at least once every five years using independent professional valuers with interim valuations being performed on an annual basis using an appropriate index, where there has been a material change in the index. However, if the assets experience significant and volatile changes in fair value, they are subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B3 PROPERTY PLANT AND EQUIPMENT AND RELATED DEPRECIATION EXPENSE
(continued)

B3-2 Accounting policies (continued)

Property plant and equipment (continued)

This is arranged by the Facilities unit after consultation with senior management. Independent revaluation of the building is undertaken on the basis of ongoing owner occupancy.

Materiality concepts (according to the *Framework for the Preparation and Presentation of Financial Statements*) are considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case revaluation is warranted).

The fair values reported by the organisation are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note C1-I).

In the years where independent valuation is not undertaken, the assets previous valuations are materially kept up-to-date via the application of relevant indices. Legal Aid Queensland ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. The State Valuation Service (SVS) supplies the indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets.

Any revaluation increment arising on the revaluation of an asset is recognised in other comprehensive income and credited to the asset revaluation reserve of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation reserve relating to that class.

On revaluation:

- for assets revalued using a cost valuation approach (e.g. depreciated replacement cost) - accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the 'gross method'; and
- for assets revalued using a market or income-based valuation approach - accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the 'net method'.

Depreciation of property plant and equipment

Land is not depreciated as it has an unlimited useful life.

Depreciation on the office building, plant and equipment and amortisation on leasehold improvements is calculated on a straight-line basis to uniformly allocate the net cost or revaluation amount of each asset, less its estimated residual value, progressively during its estimated useful life at Legal Aid Queensland.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B3 PROPERTY PLANT AND EQUIPMENT AND RELATED DEPRECIATION EXPENSE
(continued)

B3-2 Accounting policies (continued)

Depreciation of property plant and equipment (continued)

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property, plant and equipment

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the asset's remaining useful life. Improvements to leasehold property are amortised progressively over their estimated useful lives to Legal Aid Queensland or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

For each class of depreciable asset the following depreciation rates are used:

Asset class	Useful lives
Building at fair value/cost	50 years
Plant and equipment:	
- Leasehold improvements	1-25 years
- Computer equipment and copiers	3-7 years
- Motor vehicles	4 years
- Other equipment	2-5 years

Impairment of non-current assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the organisation determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and the depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. When an asset is revalued using either a market or income valuation approach, any accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B4 INTANGIBLE ASSETS

B4-1 Intangible assets – balances and reconciliation of carrying amount

	2017 \$'000	2016 \$'000
Software purchased:		
At cost	6,034	6,034
Less: Accumulated amortisation	(4,573)	(4,106)
	<u>1,461</u>	<u>1,928</u>
Software internally generated:		
At cost	1,067	1,067
Less: Accumulated amortisation	(685)	(532)
	<u>382</u>	<u>535</u>
Software work in progress (WIP):		
At cost	6	-
Total	<u>1,849</u>	<u>2,463</u>

Represented by movements in carrying amount:

	Software purchased		Software internally generated		Software WIP		Total
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000
Carrying amount at 1 July	1,928	1,951	535	687	-	282	2,463
Acquisitions	-	-	-	-	6	127	6
Transfers between classes	-	409	-	-	-	(409)	-
Amortisation	(467)	(432)	(153)	(152)	-	(620)	(584)
Carrying amount at 30 June	<u>1,461</u>	<u>1,928</u>	<u>382</u>	<u>535</u>	<u>6</u>	<u>-</u>	<u>1,849</u>
							<u>2,463</u>

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B4 INTANGIBLE ASSETS (continued)

B4-2 Accounting policies

Recognition and measurement of intangibles

Intangible assets with a cost or other value greater than \$100,000 are recognised in the financial statements, with items of lesser value being expensed. Each intangible asset is amortised over its estimated useful life to Legal Aid Queensland, less any anticipated residual value.

It has been determined that there is not an active market for any of the organisation's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

Purchased software

Costs associated with the purchase of computer software is capitalised and is amortised on a straight-line basis over the period of expected benefit to Legal Aid Queensland.

Internally generated software

Costs associated with the development of internally generated software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to Legal Aid Queensland, namely seven years.

Amortisation of intangibles

All intangible assets of the organisation have finite useful lives and are amortised on a straight-line basis.

For each class of intangible assets the following amortisation rates are used:

Asset class	Useful lives
Intangibles:	
- Software purchased	3-7 years
- Software internally generated	7 years

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B5 ACCRUED EMPLOYEE BENEFITS

	2017 \$'000	2016 \$'000
Current		
Annual leave	4,148	4,005
Long service leave levy payable	189	206
Wages outstanding	1,044	802
Total	5,381	5,013

Accounting policy – Accrued employee benefits

Refer Note A2-2. The portion of annual leave not expected to be wholly settled within the 12 months following the reporting date is \$902,020 (2016: \$873,000).

No provision for long service leave is recognised in the organisation's financial statements as the liability is held on a whole-of-Government basis and reported in the financial report prepared pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

B6 PROVISION FOR GRANTS OF AID

	2017 \$'000	2016 \$'000
Current		
Grants of aid outstanding	18,763	16,163
Non-current		
Grants of aid outstanding	4,473	4,324
Movement		
Balance as at 1 July	20,487	19,896
Additional provision recognised	74,940	70,514
Discount on estimated utilisation of grants of aid	(2,995)	(3,279)
Discount on estimated cancellation of grants of aid	(6,514)	(6,504)
Discount on present value	(182)	(166)
Reduction in provision as a result of payments	(62,500)	(59,974)
Balance as at 30 June	23,236	20,487

Discount relating to estimated utilisation of grants of aid is based on prior year history of actual payments to preferred suppliers compared to the maximum grant of aid approved. Overall write-back factor used in 2017 is 9.09% (2016: 10.77%).

Discount relating to cancellation of grants of aid is based on prior year history of actual grants of aid cancelled, taking into account the age of the grant of aid before being cancelled. Overall cancellation factor used in 2017 is 21.76% (2016: 23.95%).

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

B6 PROVISION FOR GRANTS OF AID (continued)

The average discount rate used to calculate the present value of non-current provision is 1.89% (2016: 1.56%).

Accounting policy – Provision for grants of aid

Provision is made for the supply of legal services. Expenditure accrues as the provision increases, when applications for legal services are approved. The provision decreases as practitioners' tax invoices are rendered for services provided. The provision for grants of aid represents anticipated payments, net of cost of recoveries, on current legal matters assigned to private legal practices.

Key Estimate and Judgement: Monthly adjustments to the provision are based on historical grants cancellation and utilisation data. The historical data form the pattern to be applied to the outstanding grants of aid, based on their age and file characteristics. Where the settlement of the obligation is expected after twelve or more months, the obligation is discounted to the present value using an appropriate discount rate.

B7 EQUITY

B7-1 Asset revaluation surplus by asset class

	2017		2016	
	Land	Total	Land	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July	20,552	20,552	16,910	16,910
Revaluation decrements	(3,642)	(3,642)	-	-
Revaluation increments	-	-	3,642	3,642
Balance as at 30 June	16,910	16,910	20,552	20,552

Accounting policy

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

SECTION 3

NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES

C1 FAIR VALUE MEASUREMENT

C1-1 Accounting policies and basis for fair value measurement

What is fair value?

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 under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the organisation include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Fair value measurement hierarchy

Legal Aid Queensland does not recognise any financial assets or financial liabilities at fair value.

All assets and liabilities of the organisation for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

Level 1	represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
Level 2	represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
Level 3	represents fair value measurements that are substantially derived from unobservable inputs.

The organisation's valuations of assets are eligible for categorisation into level 2 of the fair value hierarchy (refer to Note B3-1). There were no transfers of assets between fair value hierarchy levels during the period.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

C2 FINANCIAL RISK DISCLOSURES

C2-1 Financial instrument categories

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the organisation becomes party to the contractual provisions of the financial instrument. Legal Aid Queensland has the following categories of financial assets and financial liabilities:

Category	Note	2017 \$'000	2016 \$'000
Financial assets			
Cash and cash equivalents	B1	44,743	42,374
Receivables	B2	1,250	1,306
Total		45,993	43,680
Financial liabilities			
Trade creditors		2,307	2,826

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

C2-2 Financial risk management

Legal Aid Queensland's operational activities are not exposed to substantial financial risk. The investment of cash is exposed to a degree of interest rate risk and market risk.

The board reviews risk and return of cash investments. It has adopted a low tolerance for risk with regard to the investment of cash funds. Financial risk management is currently undertaken by the Finance team, with guidance from Queensland Treasury Corporation.

Legal Aid Queensland's activities expose it to a variety of financial risks as set out below:

Credit risk exposure

Credit risk exposure refers to the situation where the organisation may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

No credit enhancements relate to the financial assets held by Legal Aid Queensland

No significant concentration of credit risks have been identified, as exposure is spread over a large number of counterparties and customers. Exposure to credit risk is monitored on a regular basis. The method for calculating any provisional impairment for risk is based on past experience and current and expected changes in economic conditions.

Liquidity risk

Liquidity risk refers to the situation where the organisation may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

C2 FINANCIAL RISK DISCLOSURES (continued)

C2-2 Financial risk management (continued)

Liquidity risk (continued)

There is a surplus of \$17,591,000 (2016: \$19,139,000) in current assets to meet the obligations of current liabilities. Accordingly the liquidity risk is considered to be low.

All of the organisation's financial liabilities have maturity of less than one year and therefore they are not presented in a table.

Market risk

Legal Aid Queensland does not trade in foreign currency and is not materially exposed to commodity price changes. It is exposed to interest rate risk through its cash deposited in interest bearing accounts but it does not undertake any hedging in relation to the risk.

Interest rate sensitivity analysis

With all other variables held constant, the organisation would have a surplus and equity increase/ (decrease) of \$447,426 (2016: \$423,742) if interest rates would change by +/-1% from the year-end rates applicable to the organisation's financial assets and liabilities. This is attributable to the organisation's exposure to variable interest rates on its deposit with Queensland Treasury Corporation

C3 COMMITMENTS

Capital expenditure commitments

Capital expenditure commitment for technology refurbishments, buildings fit-out and intangible (inclusive of non-recoverable GST input tax credits), contracted for at reporting date but not recognised in the accounts is payable as follows.

	2017	2016
	\$'000	\$'000
Payments due within one year	<u>59</u>	<u>687</u>

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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C3 COMMITMENTS (continued)

Non-cancellable operating lease commitments

Commitments under operating leases at reporting date (inclusive of non-recoverable GST input tax credits) are payable as follows:

	2017	2016
	\$'000	\$'000
Not later than one year	2,755	2,346
Later than one year but not later than five years	8,154	5,582
Later than five years	3,787	3,170
Total	14,696	11,098

Other expenditure commitments

Other expenditure commitments at the end of the period but not recognised in the accounts are as follows:

	2017	2016
	\$'000	\$'000
Not later than one year	457	385
Later than one year but not later than five years	86	-
Total	543	385

C4 EVENTS AFTER THE BALANCE SHEET DATE

Other than matters already mentioned elsewhere in these financial statements, there are no other matters that have arisen since 30 June 2017 and the date of signing these financial statements.

C5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, the expected impacts of new or amended Australian accounting standards with future commencement dates are as set out below.

AASB 1058 *Income of Not-for-Profit Entities* and AASB 15 – *Revenue from Contracts with Customers*

These standards will first apply to the organisation from its financial statements for 2019-20.

The organisation has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report are as follows:

- under the new standards, other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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C5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

AASB 1058 *Income of Not-for-Profit Entities* and AASB 15 – *Revenue from Contracts with Customers* (continued)

- grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled
- a range of new disclosures will also be required by the new standards in respect of the organisation's revenue.

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB107*

As from the organisation's financial statements for 2017-18, this standard will require additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures will include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of a reconciliation in the notes to the Statement of Cash Flows. As Legal Aid Queensland does not have any borrowings, this standard will not have any impact on the organisation.

AASB 9 *Financial instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

These standards will first apply to the organisation from its financial statements for 2018-19. The main impacts of these standards on Legal Aid Queensland are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

Legal Aid Queensland has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the organisation's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the organisation enters into, all of the organisation's financial assets are expected to be required to be measured at fair value (instead of the measurement classifications presently used in Note C2-1). In the case of the organisation's current receivables, as they are short-term in nature, the carrying amount is expected to be as a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in the organisation's operating result.

Another impact of AASB 9 relates to calculating impairment losses for the organisation's receivables. Assuming no substantial change in the nature of the organisation's receivables, as they don't include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, the organisation will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

Legal Aid Queensland will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2018-19. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2018-19 financial statements to explain the impact of adopting AASB 9.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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C5 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

AASB 16 – Leases

This Standard will first apply to the organisation from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact for Lessees

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the statement of financial position under AASB 16. There will be a significant increase in assets and liabilities for agencies that lease assets. The impact on the reported assets and liabilities would be largely in proportion to the scale of the agency's leasing activities.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the commencement date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application. The organisation will await further guidance from Queensland Treasury on the transitional accounting method to be applied.

Legal Aid Queensland has not yet quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to Legal Aid Queensland, or have no material impact on the organisation.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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SECTION 4

NOTES ON OUR PERFORMANCE COMPARED TO BUDGET

D1 BUDGETARY REPORTING DISCLOSURES

This section discloses the organisation's original published budgeted figures for 2016-17 compared to actual results, with explanations of major variances, in respect of the organisation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

D2 BUDGET TO ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME

	Variance Notes	Original Budget 2017 \$'000	Actual Result 2017 \$'000	Variance \$'000
Income from continuing operations				
Revenue				
Grants and other contributions	V1	134,685	116,254	(18,431)
User charges	V2	2,100	2,585	485
Interest		1,538	1,383	(155)
Other revenue		15	23	8
Total revenue		138,338	120,245	(18,093)
Gains on disposal/revaluation of assets				
Revaluation increment	V3	-	3,665	3,665
Gain on disposal of property, plant and equipment		-	19	19
Total income from continuing operations		138,338	123,929	(14,409)
Expenses from continuing operations				
Supplies and services	V1	94,522	74,562	19,960
Employee expenses		46,481	46,372	109
Grants to legal centres		-	50	(50)
Depreciation and amortisation	V4	1,838	1,572	266
Revaluation decrement		-	-	-
Impairment losses/ (reversals)	V5	250	108	142
Other expenses		93	205	(112)
Total expenses from continuing operations		143,184	122,869	20,315

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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D2 BUDGET TO ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME (continued)

	Variance Notes	Original Budget 2017 \$'000	Actual Result 2017 \$'000	Variance \$'000
Operating result from continuing operations		(4,846)	1,060	5,906
Other Comprehensive Income				
<u>Items not recyclable to operating result</u>				
Increase/ (decrease) in asset revaluation surplus	V3	-	(3,642)	(3,642)
Total other comprehensive income		-	(3,642)	(3,642)
Total comprehensive income		(4,846)	(2,582)	2,264

D2-1 Explanation of major variances – Statement of Comprehensive Income

V1. The original budgeted figure included grants received to be passed on to community legal centres of \$19.7 million not recognised in Legal Aid Queensland's accounts but reported in whole of government reporting and Service Delivery Statement. This is offset with \$1.5 million part year funding received for Mental Health Review Tribunal and the Commonwealth Family Advocacy and Support Service not budgeted in the Service Delivery Statement. The increase in expenditure compared to budget was mainly driven by increase in demand for criminal law matters, which resulted in an increase in grants expense.

V2. The increase in user charges is primarily associated with the cost recoveries of a long outstanding criminal confiscation matter of \$0.5 million.

V3. The revaluation increment is associated with the increase in the building's value as a result of an independent asset revaluation at 30 June 2017 as explained in Note B3-1. The revenue item represents the reversal of a prior year revaluation decrement recorded as an expense in the Statement of Comprehensive Income. Similarly, the decrease in asset revaluation surplus is due to the decrease in land's value as a result of the asset revaluation

V4. The reduced expenditure associated with depreciation and amortisation is primarily attributable to the capital budget for 2016-17 not being spent accordingly and therefore certain items that were expected to be capitalised in 2016-17 were not.

V5 The reduction is due to a lower than anticipated level of bad debt write-off for the 2016-17 financial year.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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D3 BUDGET TO ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION

	Variance Notes	Original Budget 2017 \$'000	Actual Result 2017 \$'000	Variance \$'000
Current assets				
Cash and cash equivalents	V6	32,765	44,743	11,978
Receivables		1,330	852	(478)
Other		643	803	160
Total current assets		34,738	46,398	11,660
Non-current assets				
Receivables		390	398	8
Property, plant and equipment	V7	24,659	27,255	2,596
Intangible assets		1,938	1,849	(89)
Total non-current assets		26,987	29,502	2,515
Total assets		61,725	75,900	14,175
Current liabilities				
Payables		2,002	2,307	(305)
Accrued employee benefits	V8	4,511	5,381	(870)
Provision for grants of aid	V9	14,577	18,763	(4,186)
Grants payable to community legal centres	V10	-	1,074	(1,074)
Unearned grants revenue	V11	253	1,259	(1,006)
Lease incentives		-	23	(23)
Total current liabilities		21,343	28,807	(7,464)

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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D3 BUDGET TO ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION
(continued)

	Variance Notes	Original Budget 2017 \$'000	Actual Result 2017 \$'000	Variance \$'000
Non-current liabilities				
Provision for grants of aid	V9	4,007	4,473	(466)
Grants payable to community legal centres		-	200	(200)
Lease incentives		-	94	(94)
Total non-current liabilities		4,007	4,767	(760)
Total liabilities		25,350	33,574	(8,224)
Net assets		36,375	42,326	5,951
Equity				
Accumulated surplus		23,325	25,416	2,091
Asset revaluation surplus		13,050	16,910	3,860
Total equity		36,375	42,326	5,951

D3-1 Explanation of major variances – Statement of Financial Position

V6. The increase in cash at bank is primarily due to the additional funding from the election commitment to increase legal aid funding to a level that is equal to the national average per capita as well as part year funding for the Mental Health Review Tribunal representation and service delivery towards the Commonwealth Family Advocacy and Support Service. Additionally, unspent advance funding received from the Commonwealth Government for expensive criminal cases is also contributing to the increase.

V7. The increase in property, plant and equipment is primarily related to the increase in the value of the organisation's building of \$3.6 million following the valuation undertaken as at 30 June 2017, offset with capital projects budgeted but not required in 2016-17.

V8. The increase is primarily due to annual recreation leave provisions and growth in full time equivalent positions.

V9. The increase for provision of grants of aid is primarily related to the higher demand for criminal law matters, which has resulted in an increase to the current and non-current provision.

V10. The variance mainly relates to advance funding from Department of Justice and Attorney-General for future payments to community legal centres.

V11. The variance has arisen from advance funding received from the Commonwealth Government for expensive criminal cases

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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D4 BUDGET TO ACTUAL COMPARISON – STATEMENT OF CASH FLOWS

	Variance Notes	Original Budget 2017 \$'000	Actual Result 2017 \$'000	Variance \$'000
Cash flows from operating activities				
Inflows				
Grants and other contributions	V1,V10,V11	134,685	117,725	(16,960)
User charges	V2	1,850	2,672	822
GST input tax credit from ATO	V12	4,091	9,338	5,247
Other		1,538	1,406	(132)
		142,164	131,141	(11,023)
Outflows				
Supplies and services	V1	(99,028)	(81,488)	17,540
Employee expenses		(46,381)	(45,968)	413
Grants to legal centres		-	(50)	(50)
GST remitted to ATO	V12	(35)	(190)	(155)
Other		(205)	(137)	68
		(145,649)	(127,833)	17,816
Net cash provided by/(used in) operating activities		(3,485)	3,308	6,793
Cash flows from investing activities				
Inflows				
Proceeds from sale of plant and equipment		-	117	117
Outflows				
Payments for plant and equipment	V13	(3,090)	(1,050)	2,040
Payments for intangibles		-	(6)	(6)
		(3,090)	(1,056)	2,034
Net cash provided by/(used in) investing activities		(3,090)	(939)	2,151

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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D4 BUDGET TO ACTUAL COMPARISON – STATEMENT OF CASH FLOWS (continued)

	Variance Notes	Original Budget 2017 \$'000	Actual Result 2017 \$'000	Variance \$'000
Net increase/(decrease) in cash and cash equivalents		(6,575)	2,369	8,944
Cash and cash equivalents at beginning of financial year		39,340	42,374	3,034
Cash and cash equivalents at end of financial year		32,765	44,743	11,978

D4-1 Explanation of major variances – Statement of Cash Flows

V12. The increase in cash inflows and cash outflows for Goods and Services Tax to and from the Australian Taxation Office is directly attributable to an under estimated budget.

V13. The decrease is due to capital projects such as Maroochydore office refurbishment and Townville office relocation and refurbishment not required during the 2016-17 financial year. These projects did not proceed due to LAQ having arranged new lease arrangements for these regional offices.

LEGAL AID QUEENSLAND
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SECTION 5

OTHER INFORMATION

E1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

As from 2016-17, the organisation's responsible Minister is identified as part of the organisation's KMP, consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*. That Minister is the Attorney-General and Minister for Justice and Minister for Training and Skills. The following details for non-Ministerial KMP include those positions that had authority and responsibility for planning, directing and controlling the activities of the organisation during 2016-17 and 2015-16. Further information on these positions can be found in the body of the Annual Report under the sections relating to Board Members and Executive Management.

Position	Position Responsibility
Board of Directors	Provide leadership and the overall strategic direction for Legal Aid Queensland, including the development of the strategic plan and major goals and strategies, in conjunction with the senior management team.
Chief Executive Officer	Lead the functions and strategic direction of Legal Aid Queensland to achieve efficiency, sustainability and the delivery of high quality legal services.
Deputy Chief Executive Officer	Manage Legal Aid Queensland's day to day operations including statewide regional legal services and preferred supplier strategy to achieve Legal Aid Queensland's strategic and operational objectives.
Public Defender Counsel	Manage Counsel to achieve Legal Aid Queensland's strategic and operational objectives and particularly to deliver the highest quality of legal assistance services to clients
Director Family Law and Civil Justice Services	Lead and manage the Family Law and Civil Justice Services areas to achieve Legal Aid Queensland's strategic and operational objectives, and particularly to deliver high quality legal assistance services to clients.

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Notes to the Financial Statements
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E1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

Position	Position Responsibility
Director Criminal Law Services	Lead and manage the Criminal Law Services division to achieve Legal Aid Queensland's strategic and operational objectives, and particularly to deliver high quality legal assistance services to clients
Director Corporate Services	Lead and manage a significant range of corporate services and direct service delivery functions, including finance, facilities, human resources, information technology, library, business analysis, governance and records management.
Director Grants	Lead and manage a significant range of functions associated with managing external and in-house legal service procurement.
Director Executive Services	Lead and manage strategic policy, law reform, media and public affairs, community legal education and special projects.
Director Information and Advice	Lead and manage the information and advice services state-wide and establish a culture of integrated service delivery, efficiency and improved client experience.
Chief Finance Officer	Lead and manage the finance team including planning, performance reporting, procurement, systems, financial and risk management.

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Notes to the Financial Statements
for the year ended 30 June 2017

E1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

KMP Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The organisation does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016-17, which are published as part of Queensland Treasury's Report on State Finances.

Please refer to Note E5 for board members' remuneration.

Remuneration policy for the organisation's other KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008* and as approved by the Legal Aid Board in 2016-17. Individual remuneration and other terms of employment (including motor vehicle entitlements) are specified in employment contracts.

For the 2016-17 year, remuneration of KMP (other than Minister and board members) increased by 2.5% in accordance with government policy.

Remuneration expenses for KMP comprise the following components:

Short term employee expenses which include salaries, allowances including monetary vehicle allowance earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position.

Long term employee expenses include amounts expensed in respect of annual leave and long service leave entitlements earned.

Post employment expenses include amounts expensed in respect of employer superannuation obligations.

Termination benefits are not provided for within individual contracts of employment. Contracts of employments provide only for notice periods or payment in lieu of notice on termination regardless of the reason for termination.

Performance payments are not paid under the contracts in place.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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E1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

Remuneration Expenses

The following disclosures focus on the expenses incurred by the organisation that is attributable to non-Ministerial KMP during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income. They also include the remuneration of other personnel who have acted in the positions during the year.

1 July 2016 – 30 June 2017

Position	Short term employee expenses	Long term employee expenses	Post-employment expenses	Total expenses
	\$'000	\$'000	\$'000	\$'000
Chief Executive Officer	138	40	17	195
Acting Chief Executive Officer (1/7/2016-18/10/2016)	93	9	9	111
Deputy Chief Executive Officer	112	12	14	138
Acting Deputy Chief Executive Officer (1/7/2016 – 18/10/2016)	57	7	8	72
Public Defender Counsel	162	19	19	200
Director Family Law and Civil Justice Services	119	12	13	144
Acting Director Family Law and Civil Justice Services (1/7/2016 – 18/10/2016)	70	2	7	79
Director Criminal Law Services	187	19	21	227
Director Corporate Services	182	20	21	223
Director Grants	171	21	21	213

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Notes to the Financial Statements
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E1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

1 July 2016 – 30 June 2017 (continued)

Position	Short term employee expenses	Long term employee expenses	Post-employment expenses	Total expenses
	\$'000	\$'000	\$'000	\$'000
Director Executive Services (to 25/2/2017)*	74	10	10	94
Director Information and Advice (from 12/9/2016)	74	1	9	84
Director Information and Advice (to 11/9/2016)	28	4	4	36
Chief Finance Officer	119	15	16	150
Total remuneration	1,586	191	189	1,966

* This position has now been abolished

1 July 2015 – 30 June 2016

Position	Short term employee expenses	Long term employee expenses	Post-employment expenses	Total expenses
	\$'000	\$'000	\$'000	\$'000
Chief Executive Officer	185	19	21	225
Acting Chief Executive Officer (18/4/2016-30/6/2016)	57	5	6	68

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

E1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

1 July 2015 – 30 June 2016 (continued)

Position	Short term employee expenses	Long term employee expenses	Post-employment expenses	Total expenses
	\$'000	\$'000	\$'000	\$'000
Deputy Chief Executive Officer	142	14	17	173
Acting Deputy Chief Executive Officer (18/4/2016 – 30/6/2016)	30	3	3	36
Public Defender Counsel	173	19	20	212
Director Family Law and Civil Justice Services	156	15	17	188
Acting Director Family Law and Civil Justice Services (18/4/2016 – 30/6/2016)	23	1	2	26
Director Criminal Law Services	185	20	20	225
Director Corporate Services	179	19	20	218
Director Grants	163	16	18	197
Director Executive Services	89	5	12	106
Director Information and Advice	95	11	12	118
Chief Finance Officer	128	14	15	157
Total remuneration	1,605	161	183	1,949

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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E2 RELATED PARTY TRANSACTIONS

Transactions with KMP

During the financial year, a board member's practice was paid \$60,546 for legal services provided to Legal Aid Queensland's clients. This work was awarded in accordance with Legal Aid Queensland's normal operating procedures, without preferential treatment and accordingly payment was made consistent with the scale of fees.

Transactions with other Queensland Government-controlled entities

The organisation's primary ongoing sources of funding from Government for its services are appropriation revenue provided in cash via the Department of Justice and Attorney-General

E3 MONIES HELD IN TRUST

	2017	2016
	\$'000	\$'000
Summary of cash flows:		
Balance as at 1 July	40	93
Receipts	871	1,416
Payments	(874)	(1,469)
Transfer to user charges	(11)	-
Balance as at 30 June	26	40

E4 GRANTS PAYABLE TO COMMUNITY LEGAL CENTRES

During the year Legal Aid Queensland received monies from both state and federal governments that are passed on to the community legal centres. As the organisation performs only a custodial role in respect of these transactions and balances, they are not recognised in the Statement of Comprehensive Income but are disclosed in these notes for the information of users. The balance as at 30 June represents advance monies from state government that have yet to be passed on to the community legal centres, and the portion of Sundry Grants and Translation Funds which was unspent during the year and to be carried forward. The Sundry Grants and Translation Funds are to be used for agreed purposes for the community legal centres such as payments for counselling and translation services.

	2017	2016
	\$'000	\$'000
Current		
Grants payable	1,074	61
Non-current		
Grants payable	200	-

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2017

E4 GRANTS PAYABLE TO COMMUNITY LEGAL CENTRES (continued)

	2017 \$'000	2016 \$'000
Movement		
Balance as at 1 July	61	152
Receipts	21,268	18,104
Payments	(20,055)	(18,195)
Balance as at 30 June	1,274	61

Excluded in the receipts and payments above is funding to Western Queensland Justice Network which is a community legal centre 100 percent owned by Legal Aid Queensland.

E5 REMUNERATION OF BOARD MEMBERS

The remuneration received, or due and receivable by board members from Legal Aid Queensland is in connection with the management of the organisation and is approved by Cabinet in accordance with the *Remuneration Procedures for part-time Chairs and members of Queensland Government bodies*. Remuneration includes annual fees and sub-committee fees, and contributions to members' superannuation.

	2017 \$	2016 \$
Margaret McMurdo* (present Chair)	2,125	-
Brian Stewart (Chair until 27/2/2017)	8,499	14,466
Allan Welsh	9,370	9,370
Peter Nolan*	-	13,703
Sandra Deane	9,370	9,370
Philip Askin	6,851	6,851
Total	36,215	53,760

* Margaret McMurdo was appointed as the Board Chair on 5 May 2017. Peter Nolan's 2017 remuneration was paid in 2016. Board remuneration also varies due to positions held by some board members on board sub-committees.

E6 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN POLICY

Changes in accounting policy

The organisation did not voluntarily change any of its accounting policies during 2016-17.

Accounting standards early adopted for 2016-17

No Australian Accounting Standards have been early adopted for 2016-17.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
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E6 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN POLICY (continued)

Accounting standards applied for the first time in 2016-17

The only Australian Accounting Standard that became effective for the first time in 2016-17, and materially impacted on this financial report is AASB 124 Related Party Disclosures. This standard requires note disclosures about key management personnel (KMP) remuneration expenses and other related party transactions, and does not impact on financial statement line items. As Queensland Treasury already required disclosure of KMP remuneration expenses, there was minimal impact for the organisation's disclosures compared to 2015-16 (refer to Note E1). Material related party transactions for 2016-17 are disclosed in Note E2. No comparative information is required in respect of 2015-16.

E7 TAXATION

The activities of Legal Aid Queensland are exempt from Commonwealth taxation except for Goods and Services Tax (GST) and Fringe Benefits Tax (FBT). Input tax credits receivable and GST payable from/to the Australian Taxation Office are recognised and accrued (refer to Note B2).

E8 PRIOR PERIOD ADJUSTMENT

In preparation of the 2016-17 financial statements, the organisation identified current annual leave incorrectly presented as non-current annual leave in previous years' financial statements. The organisation does not have unconditional right to defer settlement of the annual leave liability for at least 12 months after the reporting period and therefore should present the annual leave as a current liability in its entirety, pursuant to AASB 101 *Presentation of Financial Statements*. The value of annual leave impacted by this error in 2015-16 was \$873k (2014-15: \$818k).

Comparative numbers reported in the 2015-16 Statement of Financial Position, and at the beginning of the comparative financial year (1 July 2015) have been restated to correct these errors below. The line items affected as follows:

	2014-15			2015-16		
	Published Financial Statements \$'000	Correction of Error \$'000	Restated Actuals 1 July 2015 \$'000	Published Financial Statements \$'000	Correction of Error \$'000	Restated Actuals \$'000
<u>Statement of</u>						
<u>Financial Position</u>						
Current liabilities						
Accrued employee benefits	3,661	818	4,479	4,140	873	5,013
Non-current liabilities						
Accrued employee benefits	818	(818)	-	873	(873)	-