



LEGAL AID QUEENSLAND

**Financial Statements
for the year ended 30 June 2020**

LEGAL AID QUEENSLAND
for the year ended 30 June 2020

TABLE OF CONTENTS

Financial Statements	Statement of Comprehensive Income	Page 3
	Statement of Financial Position	Page 4
	Statement of Changes in Equity	Page 5
	Statement of Cash Flows (including Notes to the Statement of Cash Flows)	Page 6
Notes to the Financial Statements	Preparation Information	Basis of Financial Statement Preparation Page 8
	Section 1	A1 Revenue Page 10
	Notes about our financial performance	A1-1 Grants and other contributions Page 10
		A1-2 User charges Page 10
		A2 Expenses Page 11
		A2-1 Supplies and services Page 11
		A2-2 Employee expenses Page 12
		A2-3 Other expenses Page 14
	Section 2	B1 Cash and cash equivalents Page 15
	Notes about our financial position	B2 Receivables Page 15
		B2-1 Impairment of receivables Page 16
		B3 Property, plant and equipment and related depreciation expense Page 18
		B3-1 Balances and reconciliation of carrying amount Page 18
		B3-2 Accounting policies Page 20
		B4 Intangible Assets Page 23
		B4-1 Balances and reconciliation of carrying amount Page 23
		B4-2 Accounting policies Page 24
		B5 Accrued employee benefits Page 25
		B6 Provision for grants of aid Page 25
		B7 Leases Page 26
		B7-1 Leases as lessee Page 26
		B8 Equity Page 28
		B8-1 Asset revaluation surplus by asset class Page 28
	Section 3	C1 Fair value measurement Page 29
	Notes about risks and other accounting uncertainties	C1-1 Accounting policies and basis for fair value measurement Page 29
		C2 Financial risk disclosures Page 30
		C2-1 Financial instrument categories Page 30
		C2-2 Financial risk management Page 30
		C3 Commitments Page 32
		C4 Events after the balance sheet date Page 32
		C5 Future impact of accounting standards not yet effective Page 32

LEGAL AID QUEENSLAND
for the year ended 30 June 2020

TABLE OF CONTENTS

Notes to the Financial Statements (continued)	Section 4 Notes about our performance compared to budget	D1	Budgetary reporting disclosures	Page 33
		D2	Budget to actual comparison – Statement of comprehensive income	Page 33
		D2-1	Explanation of major variances – Statement of comprehensive income	Page 34
		D3	Budget to actual comparison – Statement of financial position	Page 35
		D3-1	Explanation of major variances – Statement of financial position	Page 36
		D4	Budget to actual comparison – Statement of cash flows	Page 37
		D4-1	Explanation of major variances – Statement of cash flows	Page 38
	Section 5 Other information	E1	Key management personnel (KMP) disclosures	Page 39
		E2	Related party transactions	Page 46
		E3	Monies held in trust	Page 46
		E4	Grants payable to community legal centres	Page 46
		E5	Remuneration of board members	Page 47
		E6	First year application of new accounting standards or change in policy	Page 47
		E7	Taxation	Page 50
Certification	Management certificate			Page 51

LEGAL AID QUEENSLAND
Statement of Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Income from continuing operations			
Revenue			
Grants and other contributions	A1-1	144,563	136,238
User charges	A1-2	2,475	1,588
Interest		991	1,790
Other revenue		83	15
Total revenue		148,112	139,631
Gains on disposal/revaluation of assets			
Gain on disposal of property, plant and equipment		1	12
Total income from continuing operations		148,113	139,643
Expenses from continuing operations			
Supplies and services	A2-1	81,038	81,031
Employee expenses	A2-2	65,788	59,746
Grants to legal centres		50	53
Depreciation and amortisation	B3,B4,B7-1	4,171	1,330
Revaluation decrement	B3	2,409	-
Finance/borrowing costs	E6	356	-
Impairment losses/(reversals)	B2-1	13	(72)
Other expenses	A2-3	200	228
Total expenses from continuing operations		154,025	142,316
Operating result from continuing operations		(5,912)	(2,673)
Other comprehensive income			
<u>Items not recyclable to operating result:</u>			
Increase in asset revaluation surplus	B8-1	3,642	-
Total other comprehensive income		3,642	-
Total comprehensive income		(2,270)	(2,673)

The accompanying notes form part of these statements.

LEGAL AID QUEENSLAND
Statement of Financial Position
as at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	B1	50,180	50,397
Receivables	B2	1,091	1,074
Other		1,323	1,261
Total current assets		52,594	52,732
Non-current assets			
Receivables	B2	249	266
Property, plant and equipment	B3	28,637	27,621
Right-of-use assets	B7	20,160	-
Intangible assets	B4	156	604
Total non-current assets		49,202	28,491
Total assets		101,796	81,223
Current liabilities			
Trade creditors		2,050	3,783
Accrued employee benefits	B5	6,671	6,894
Provision for grants of aid	B6	22,980	21,194
Lease liabilities	B7	2,819	-
Grants payable to community legal centres	E4	1,509	1,797
Unearned grants revenue		905	351
Lease incentives		-	16
Total current liabilities		36,934	34,035
Non-current liabilities			
Provision for grants of aid	B6	4,724	2,820
Lease liabilities	B7	17,609	-
Make good provision		415	-
Lease incentives		-	86
Total non-current liabilities		22,748	2,906
Total liabilities		59,682	36,941
Net assets		42,114	44,282
Equity			
Accumulated surplus		21,562	27,372
Asset revaluation surplus	B8-1	20,552	16,910
Total equity		42,114	44,282

The accompanying notes form part of these statements.

LEGAL AID QUEENSLAND
Statement of Changes in Equity
for the year ended 30 June 2020

	Accumulated surplus		Asset revaluation surplus		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July	27,372	30,239	16,910	16,910	44,282	47,149
Net effect of changes in accounting policies (Note E6)	102	(194)	-	-	102	(194)
Operating result from continuing operations	(5,912)	(2,673)	-	-	(5,912)	(2,673)
<i>Other comprehensive income</i>						
Increase in asset revaluation reserve	-	-	3,642	-	3,642	-
<i>Total comprehensive income for the year</i>	(5,912)	(2,673)	3,642	-	(2,270)	(2,673)
Balance as at 30 June	21,562	27,372	20,552	16,910	42,114	44,282

The accompanying notes form part of these statements.

LEGAL AID QUEENSLAND
Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Inflows			
Grants and other contributions		145,188	136,077
Service charges		2,461	1,863
GST input tax credit from ATO		10,652	10,642
Other		1,074	1,805
		<u>159,375</u>	<u>150,387</u>
Outflows			
Supplies and services		(89,464)	(92,473)
Employee expenses		(66,209)	(58,974)
Grants to legal centres		(50)	(53)
GST remitted to ATO		(523)	(396)
Other		(135)	(185)
		<u>(156,381)</u>	<u>(152,081)</u>
Net cash provided by/(used in) operating activities	CF-1	<u>2,994</u>	<u>(1,694)</u>
Cash flows from investing activities			
Inflows			
Proceeds from sale of plant and equipment		14	93
Outflows			
Payments for plant and equipment		(484)	(1,645)
		<u>(484)</u>	<u>(1,645)</u>
Net cash provided by/(used in) investing activities		<u>(470)</u>	<u>(1,552)</u>
Cash flows from financing activities			
Outflows			
Finance lease payments		(2,741)	-
		<u>(2,741)</u>	<u>-</u>
Net cash (used in) financing activities		<u>(2,741)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>(217)</u>	<u>(3,246)</u>
Cash and cash equivalents at beginning of financial year		<u>50,397</u>	<u>53,643</u>
Cash and cash equivalents at end of financial year	B1	<u>50,180</u>	<u>50,397</u>

The accompanying notes form part of these statements.

LEGAL AID QUEENSLAND
Statement of Cash Flows
for the year ended 30 June 2020

	2020 \$'000	2019 \$'000
NOTES TO THE STATEMENT OF CASH FLOWS		
CF-1 Reconciliation of operating surplus to net cash provided by operating activities		
Operating surplus/(deficit)	(5,912)	(2,673)
Depreciation and amortisation expense	4,171	1,330
Revaluation decrement	2,409	-
Finance/borrowing costs	356	-
Impairment losses on trade receivables	(7)	71
Net loss/(gain) on disposal of property, plant and equipment	(1)	(9)
Reclassify work in progress to expense	33	-
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade debtors	6	132
(Increase)/decrease in GST receivable	164	55
(Increase)/decrease in revenue receivable	(164)	55
(Increase)/decrease in prepayments	(61)	(202)
Increase/(decrease) in trade creditors	(1,732)	(144)
Increase/(decrease) in GST payable	-	7
Increase/(decrease) in accrued employee benefits	(223)	746
Increase/(decrease) in provision for grants of aid	3,690	(411)
Increase/(decrease) in grants payable to community legal centres	(289)	(47)
Increase/(decrease) in unearned grants revenue	554	(571)
Increase/(decrease) in lease incentives	-	(33)
Net cash from operating activities	2,994	(1,694)

LEGAL AID QUEENSLAND
Basis of Financial Statement Preparation
for the year ended 30 June 2020

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 39 of the *Financial and Performance Management Standard 2019* and section 60.10 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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 2020, 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.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note E6.

Measurement

The historical cost convention is used unless fair value is stated as the measurement basis.

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.

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 2020

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 2020

SECTION 1

NOTES ABOUT OUR FINANCIAL PERFORMANCE

A1 REVENUE

A1-1 Grants and other contributions

	2020	2019
	\$'000	\$'000
Revenue from contracts with customers *		
Commonwealth expensive cases reimbursement	297	919
Mental Health Review Tribunal	2,522	2,257
Court Assistance - Domestic Family Violence Program	233	224
Western Queensland Justice Network	297	286
	<u>3,349</u>	<u>3,686</u>
Other grants and contributions		
Commonwealth grants	45,908	44,968
State Government grants	89,240	85,274
Community legal centres	117	116
Commonwealth other projects**	3,921	564
State other projects**	2,028	1,630
	<u>141,214</u>	<u>132,552</u>
Total grants and other contributions	<u>144,563</u>	<u>136,238</u>

* Legal Aid Queensland has identified these agreements as having sufficiently specific performance obligations under enforceable grant agreements.

** Included in Commonwealth other projects is funding for National Disability Insurance Scheme, Specialist Domestic Violence Unit - Rockhampton, Cross-examination of Parties Scheme, Family Law Property Mediation Trial and Your Story Disability Legal Support Services. The State other projects include Queensland Government funding for the provision of Youth Legal Advice Line Pilot and Youth Remand Reduction.

A1-2 User Charges

Revenue from contracts with customers		
Case Contributions	545	612
Cost recovery – Family	408	390
Cost recovery – Others	1,522	586
Total user charges	<u>2,475</u>	<u>1,588</u>

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

A1 REVENUE (continued)

Accounting policy - Revenue recognition

Revenue from enforceable contracts with customers is recognised when Legal Aid Queensland transfers control over a service to the customer or a third party on behalf of the grantor. For these contracts, revenue is initially deferred as unearned revenue and recognised as or when the performance obligations are satisfied. Government grants and other contributions that do not contain specific performance obligations are recognised on receipt of the monies. The agreements are for the provision of services rather than a specific number of services that can be measured and determined. The organisation has also identified four agreements where there are sufficiently specific performance obligations under enforceable grant agreements. The revenue for these grants is deferred when the obligations have not been met by Legal Aid Queensland.

Prior to 1 July 2019, 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 the Commonwealth Bank.

A2 EXPENSES

A2-1 Supplies and services

	2020	2019
	\$'000	\$'000
Outsourced services		
Legal representation	63,695	60,766
Other	4,713	5,031
	<u>68,408</u>	<u>65,797</u>
 Corporate overheads		
Communications and transport	1,350	1,370
Information technology	2,061	1,878
Office premises and requisites	3,859	3,997
Lease rentals (refer Note E6)	-	2,983
Other	5,360	5,006
	<u>12,630</u>	<u>15,234</u>
Total	<u>81,038</u>	<u>81,031</u>

Accounting policy - Legal representation

Legal representation is mainly payments for services provided by private practitioners, including solicitors, barristers as well as for disbursements incurred. Expenditure is recognised when applications for legal services are approved.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

A2 EXPENSES (continued)

Accounting policy - Office accommodation

Payments for non-specialised commercial office accommodation under the Queensland Government Accommodation Office (QGAO) framework arise from non-lease arrangements with the Department of Housing and Public Works, who has substantive substitution rights over the assets used within these schemes. Payments are expensed as incurred and categorised within other corporate overheads.

Accounting policy – Lease rentals

Lease rentals expenses include lease rentals for short-term leases, leases of low value assets and variable lease payments. Refer to Note B7 Leases for detailed lease disclosures.

A2-2 Employee expenses	2020 \$'000	2019 \$'000
Employee benefits		
Wages and salaries*	54,744	49,806
Employer superannuation contributions	6,402	5,930
Long service leave levy	1,245	1,029
Employee related expenses		
Payroll tax	3,293	2,884
Workers' compensation premium	104	97
Total	65,788	59,746

* Wages and salaries includes \$722,842 of \$1,250 one-off, pro-rata payments for 578 full-time equivalent employees (announced in September 2019).

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

	2020	2019
Number of employees	570	583

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.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

A2 EXPENSES (continued)

A2-2 Employee expenses (continued)

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.

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 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.

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 2020

A2 EXPENSES (continued)

A2-3 Other expenses

	2020 \$'000	2019 \$'000
Insurance premiums – professional	57	80
Insurance premiums – other	77	81
External audit fees	63	60
Loss on asset disposals	2	4
Special payments	1	3
Total	200	228

Audit fees

Total external audit fees relating to the 2019-20 financial statements are estimated to be \$63,000 (2019: \$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 15 of the *Financial and Performance Management Standard 2019*, Legal Aid Queensland maintains a register setting out details of all special payments greater than \$5,000.

Accounting policy - Insurance

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

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

SECTION 2

NOTES ABOUT OUR FINANCIAL POSITION

B1 CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
Imprest accounts	3	3
Cash at bank	902	574
Queensland Treasury Corporation Cash Fund	49,275	49,820
Total	50,180	50,397

Cash deposited with the Queensland Treasury Corporation earned interest at rates between 0.73% and 1.96% (2019: 2.39% and 3.18%). Interest earned on cash held with the Commonwealth Bank earned between 0.10% and 1.10% (2019: 1.10% and 1.35%).

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

	2020 \$'000	2019 \$'000
Current		
Trade debtors	200	181
Revenue receivable	294	130
GST receivable	611	776
GST payable	(14)	(13)
	891	893
Total	1,091	1,074
Non-current		
Trade debtors	394	418
Less: Allowance for impairment loss	(145)	(152)
Total	249	266

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

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.

B2-1 Impairment of receivables

Accounting policy – Impairment of receivables

The loss allowance for trade debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. The organisation's other debtors are mainly from Queensland Government agencies or Australian Government agencies. No loss allowance is recorded for these receivables on the basis of materiality.

Where the organisation has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the debt is past due and the customer is no longer contactable. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss. Those customers who have debts written off are restricted from getting future aids except with the approval of management; otherwise payment of previous debt is required.

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. Legal Aid Queensland's exposure to credit risk is influenced by the individual characteristics of each customer.

The organisation limits its exposure to credit risk from trade receivables by taking collateral in the form of mortgages representing charges over real property. Of the \$448,128 (2019: \$447,228) recorded in trade debtors net of allowance for impairment loss, \$341,471 (2019: \$337,172) or 76% (2019: 75%) is secured by mortgages and caveat, reducing the credit risk the organisation is exposed to.

The organisation uses a provision matrix to measure the expected credit losses on trade receivables. Loss rates are calculated separately for groupings of customers with similar loss patterns. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are secured or unsecured and whether they are in a payment plan.

The calculations reflect historical observed default rates calculated using credit losses experienced on past transactions during the last 7 years preceding 30 June 2020 for each group. The historical default rates are then adjusted by reasonable and supportable forward-looking information for expected changes in macroeconomic indicators that affect the future recovery of those receivables. For Legal Aid Queensland, the unemployment rate is determined to be the most relevant forward-looking indicator for two of the four groups of receivables. There is an impairment loss of \$12,679 for the current year, this being primarily related to a number of aged contributions unable to be recovered due to clients no longer contactable.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

B2 RECEIVABLES (continued)

B2-1 Impairment of receivables (continued)

Set out below is the credit risk exposure on the organisation's trade and other debtors broken down by customer groupings.

	2020			2019		
	Gross receivables	Loss rate	Expected credit losses	Gross receivables	Loss rate	Expected credit losses
	\$'000	%	\$'000	\$'000	%	\$'000
Trade receivables						
Unsecured trade receivables	77	9	7	105	11	11
Secured caveat	80	26	21	83	29	24
Secured mortgage	261	25	63	254	37	95
Debt recovery	51	7	3	58	10	6
Doubtful	51	100	51	16	100	16
Total	520		145	516		152

Customers in the 'Doubtful' category have a loss rate of 100% but 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.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

B3 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION EXPENSE

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

	2020 \$'000	2019 \$'000
Land		
At fair value	21,852	18,210
Building		
At gross value	3,148	5,868
	3,148	5,868
Less accumulated depreciation	-	(194)
Fair value	3,148	5,674
Plant and equipment		
At cost	9,199	9,246
Less accumulated depreciation	(5,844)	(5,475)
Less accumulated impairment losses	(73)	(73)
	3,282	3,698
Work in progress	355	39
Total	28,637	27,621

Land and Building

Land and building were comprehensively revalued at \$25 million as at 30 June 2020 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. The valuer has reported the valuation was provided based on significant valuation uncertainty as a result of COVID-19. Sales evidence provided was based on sales from 2018 and 2019. These sales were pre COVID-19. The real estate market is being impacted by the uncertainty COVID-19 outbreak has caused. Market conditions are changing daily at present. Australia previously experienced a strong period of transactional activity. Transaction volumes are expected to fall from these elevated levels in the short-term. The extreme uncertainty surrounding the duration and depth of COVID-19 will cause caution. Market forecasts and capitalisation rates for real estate may remain static. This is supported by further declines in the risk-free rate as bond yields fall further, with interest rates likely to go lower where possible, and stay extremely low for the foreseeable future.

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.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	18,210	18,210	5,674	4,725	3,698	3,784	39	51	27,621	26,770
Acquisitions	-	-	-	-	-	341	451	1,304	451	1,645
Disposals	-	-	-	-	(15)	(84)	-	-	(15)	(84)
Transfers between classes	-	-	-	1,047	135	269	(135)	(1,316)	-	-
Net revaluation decrements in operating deficit	-	-	(2,409)	-	-	-	-	-	(2,409)	-
Net revaluation increments in asset revaluation surplus	3,642	-	-	-	-	-	-	-	3,642	-
Depreciation	-	-	(117)	(98)	(536)	(612)	-	-	(653)	(710)
Carrying amount at 30 June	21,852	18,210	3,148	5,674	3,282	3,698	355	39	28,637	27,621

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

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 2020

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 C1-1).

In the years where independent valuation is not undertaken, Legal Aid Queensland undertakes assessments from market information available to ensure assets carrying values continue to represent a valid estimate of fair value at reporting date.

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, 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 2020

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 current 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 2020

B4 INTANGIBLE ASSETS

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

	2020 \$'000	2019 \$'000
Software purchased:		
At cost	6,034	6,034
Less: Accumulated amortisation	(5,878)	(5,507)
	156	527
Software internally generated:		
At cost	1,067	1,067
Less: Accumulated amortisation	(1,067)	(990)
	-	77
Total	156	604

Represented by movements in carrying amount:

	Software purchased		Software internally generated		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Carrying amount at 1 July	527	994	77	230	604	1,224
Acquisitions	-	-	-	-	-	-
Amortisation	(371)	(467)	(77)	(153)	(448)	(620)
Carrying amount at 30 June	156	527	-	77	156	604

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

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 2020

B5 ACCRUED EMPLOYEE BENEFITS

	2020 \$'000	2019 \$'000
Current		
Annual leave	6,108	5,319
Long service leave levy payable	282	242
Wages outstanding	281	1,333
Total	<u>6,671</u>	<u>6,894</u>

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 \$1,527,387 (2019: \$1,134,087).

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

	2020 \$'000	2019 \$'000
Current		
Grants of aid outstanding	<u>22,980</u>	<u>21,194</u>
Non-current		
Grants of aid outstanding	<u>4,724</u>	<u>2,820</u>
Movement		
Balance as at 1 July	24,014	24,426
Additional provision recognised	83,047	77,362
Discount on estimated utilisation of grants of aid	(3,719)	(3,139)
Discount on estimated cancellation of grants of aid	(8,052)	(5,684)
Discount on present value	(26)	(61)
Reduction in provision as a result of payments	<u>(67,560)</u>	<u>(68,890)</u>
Balance as at 30 June	<u>27,704</u>	<u>24,014</u>

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

B6 PROVISION FOR GRANTS OF AID (continued)

Accounting policy – Provision for grants of aid

Provision is made for the supply of legal services. The provision for grants of aid represents anticipated payments, net of cost of recoveries, on current legal matters assigned to private legal practices. 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.

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.

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 2020 is 9.42% (2019: 9.54%).

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 2020 is 22.50% (2019: 19.10%).

Where the settlement of obligation is expected after twelve or more months, the obligation is discounted to the present value using yields on Fixed Rate Commonwealth Government bonds of similar maturity. The average discount rate used to calculate the present value of non-current provision is 0.27% (2019: 0.97%).

B7 LEASES

A new accounting standard AASB 16 *Leases* came into effect in 2019-20, resulting in significant changes to the organisation's accounting for leases for which it is a lessee. The transitional impacts of the new standards are disclosed in Note E6.

B7-1 Leases as Lessee

Right-of-use assets

	2020 \$'000
Office accommodation	
Opening balance at 1 July	20,424
Additions	1,554
Depreciation charge	(3,070)
Other adjustments	1,252
Closing balance at 30 June	20,160

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

B7 LEASES (continued)

Accounting policies – Leases as lessee

Leases are entered into as a means of acquiring access to office accommodation facilities. Lease terms extend over a period of 5 to 15 years, with some leases providing a right of renewal while some are renegotiated at the end of the lease terms.

Legal Aid Queensland has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases and leases of low value assets. The lease payments are recognised as expenses on a straight-line basis over the lease term. An asset is considered low value where it is expected to cost less than \$10,000 when new.

Where a contract contains both a lease and non-lease components such as asset maintenance services, the organisation allocates the contractual payments to each component on the basis of their stand-alone prices.

Lease payments are allocated between the principal component of the lease liability and the interest expense. Interest on finance leases is recognised as an expense as it accrues on the outstanding lease liability. When measuring the lease liability, Legal Aid Queensland uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined, which is the case for all of the organisation's leases. To determine the incremental borrowing rate, Legal Aid Queensland uses loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease.

Prior to 1 July 2019, 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.

Disclosures – Leases as lessee

The Department of Housing and Public Works (DHPW) provides Legal Aid Queensland with access to an office accommodation. This arrangement is categorised as procurement of services rather than as leases because DHPW has substantive substitution rights over the asset. The related service expenses are included in Note A2-1.

2018-19 disclosures under AASB 17

Operating lease commitments at 30 June 2019

	\$'000
Not later than one year	3,048
Later than one year but not later than five years	8,558
Later than five years	1,900
Total	13,506

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

B8 EQUITY

B8-1 Asset revaluation surplus by asset class

	2020		2019	
	Land	Total	Land	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July	16,910	16,910	16,910	16,910
Revaluation decrements	-	-	-	-
Revaluation increments	3,642	3,642	-	-
Balance as at 30 June	20,552	20,552	16,910	16,910

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 2020

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 2020

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	2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents	B1	50,180	50,397
Financial assets at amortised cost:			
<i>Receivables</i>	B2	1,340	1,340
Total financial assets		51,520	51,737
Financial liabilities			
Financial liabilities at amortised cost:			
<i>Trade creditors</i>		2,050	3,783
<i>Lease liabilities</i>	B7	20,428	-
Total financial liabilities at amortised cost		22,478	3,783

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 management practices and 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, and arises principally from Legal Aid Queensland's receivables from customers. Credit risk exposure relating to receivables is disclosed in Note B2-1.

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.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

C2 FINANCIAL RISK DISCLOSURES (continued)

C2-2 Financial risk management (continued)

Credit risk management practices and exposure (continued)

Legal Aid Queensland considers receivables from other Queensland Government agencies and Australian Government agencies to have low credit risk. Financial assets that are over 30 days past due have significant increase in credit risk, and the loss allowance for such assets is always measured at lifetime expected credit losses. The organisation typically considers a financial asset to be in default when it becomes 90 days past due.

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.

There is a surplus of \$15,660,000 (2019: \$18,697,000) in current assets to meet the obligations of current liabilities. Accordingly the liquidity risk is considered to be low.

The following tables sets out the liquidity risk of financial liabilities held by Legal Aid Queensland. They represent the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the statement of financial position that are based on discounted cash flows.

	2020 Contractual maturity				2019 Contractual maturity			
	Total	< 1 year	1-5 years	> 5 years	Total	< 1 year	1-5 years	> 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities								
Trade creditors	2,050	2,050	-	-	3,783	3,783	-	-
Lease liabilities	21,845	2,841	12,369	6,635	-	-	-	-
Total	23,895	4,891	12,369	6,635	3,783	3,783	-	-

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.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

C2 FINANCIAL RISK DISCLOSURES (continued)

C2-2 Financial risk management (continued)

Interest rate sensitivity analysis

With all other variables held constant, the organisation would have a surplus and equity increase/ (decrease) of \$125,450 (2019: \$503,968) if interest rates would change by +/-0.25% 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:

	2020	2019
	\$'000	\$'000
Payments due within one year	-	7

C4 EVENTS AFTER THE BALANCE SHEET DATE

Legal Aid Queensland was advised after the balance sheet date that it will receive funding for 2019-20 to support additional costs incurred to provide legal assistance to clients affected by the COVID-19 pandemic (\$2.368 million) and Bushfire event (\$0.437 million).

Other than the above and matters already mentioned elsewhere in these financial statements, there are no additional matters that have arisen since 30 June 2020 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 only new or amended Australian Accounting Standard issued with a future effective date is AASB 1059 *Service Concession Arrangements: Grantors*. This standard does not apply to Legal Aid Queensland as the organisation does not have any service concession agreements.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

SECTION 4

NOTES ON OUR PERFORMANCE COMPARED TO BUDGET

D1 BUDGETARY REPORTING DISCLOSURES

This section discloses the organisation's original published budgeted figures for 2019-20 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 2020 \$'000	Actual Result 2020 \$'000	Variance \$'000
Income from continuing operations				
Revenue				
Grants and other contributions	V1	162,611	144,563	(18,048)
User charges	V2	1,900	2,475	575
Interest	V3	1,900	991	(909)
Other revenue		43	83	40
Total revenue		166,454	148,112	(18,342)
Gains on disposal/revaluation of assets				
Gain on disposal of property, plant and equipment		-	1	1
Total income from continuing operations		166,454	148,113	(18,341)
Expenses from continuing operations				
Supplies and services		77,485	81,038	(3,553)
Employee expenses	V4	62,120	65,788	(3,668)
Grants to legal centres	V1	22,190	50	22,140
Depreciation and amortisation		4,071	4,171	(100)
Revaluation decrement	V6	-	2,409	(2,409)
Finance/borrowing costs		437	356	81
Impairment losses	V5	30	13	17
Other expenses		121	200	(79)
Total expenses from continuing operations		166,454	154,025	12,429

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

D2 BUDGET TO ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME (continued)

	Variance Notes	Original Budget 2020 \$'000	Actual Result 2020 \$'000	Variance \$'000
Operating result from continuing operations		-	(5,912)	(5,912)
Other Comprehensive Income				
<u>Items not recyclable to operating result</u>				
Increase/ (decrease) in asset revaluation surplus	V6	-	3,642	3,642
Total other comprehensive income		-	3,642	3,642
Total comprehensive income		-	(2,270)	(2,270)

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 \$22.190 million not recognised in Legal Aid Queensland's accounts but reported in whole of government reporting and Service Delivery Statement. This is offset with new funding received for Cross-examination of Parties Scheme, Family Law Property Mediation Trial, Your Story Disability Legal Support Services and the extension of Youth Advice Line and Youth Remand Reduction programs. The corresponding increase in the budgeted expenditure for grants to legal centres relates to the monies to be passed on to community legal centres.

V2. The increase in user charges is mainly due to a higher reimbursement of \$0.771 million from Appeal Cost Fund during the year.

V3. The decrease in interest is mainly due to the Reserve Bank lowering its cash rate from 1.25% at 1 July 2019 to 0.25% as at 30 June 2020, mainly in response to the COVID-19 pandemic.

V4. The increase in employee expenses is primarily influenced by a 3% increase that was applied to all award wage rates in the Legal Aid Queensland Employees Award – State 2015, and in March 2020, a \$1,250 one-off pro-rata payment was made to eligible employees in classification levels up to AO8 (and equivalent).

V5. The decrease is due to a lower than anticipated level of bad debt write-off for 2019-20.

V6. The revaluation decrement of \$2.409 million is associated with the decrease in the building's value as a result of an independent asset revaluation at 30 June 2020 as explained in Note B3-1. The increase in asset revaluation surplus of \$3.642 million is due to the increase in land's value as a result of the asset revaluation.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

D3 BUDGET TO ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION

	Variance Notes	Original Budget 2020 \$'000	Actual Result 2020 \$'000	Variance \$'000
Current assets				
Cash and cash equivalents		49,865	50,180	315
Receivables		1,110	1,091	(19)
Other	V7	1,000	1,323	323
Total current assets		51,975	52,594	619
Non-current assets				
Receivables		400	249	(151)
Property, plant and equipment	V8	43,796	28,637	(15,159)
Right-of-use assets	V8	-	20,160	20,160
Intangible assets		145	156	11
Total non-current assets		44,341	49,202	4,861
Total assets		96,316	101,796	5,480
Current liabilities				
Payables		2,000	2,050	(50)
Accrued employee benefits		6,900	6,671	229
Provision for grants of aid	V9	19,200	22,980	(3,780)
Lease liabilities	V10	2,640	2,819	(179)
Grants payable to community legal centres	V11	1,000	1,509	(509)
Unearned grants revenue	V12	-	905	(905)
Total current liabilities		31,740	36,934	(5,194)
Non-current liabilities				
Provision for grants of aid	V9	3,500	4,724	(1,224)
Lease liabilities	V10	14,624	17,609	(2,985)
Make good provision	V10	-	415	(415)
Total non-current liabilities		18,124	22,748	(4,624)
Total liabilities		49,864	59,682	(9,818)
Net assets		46,452	42,114	(4,338)

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

D3 BUDGET TO ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION
(continued)

	Variance Notes	Original Budget 2020 \$'000	Actual Result 2020 \$'000	Variance \$'000
Equity				
Accumulated surplus		25,900	21,562	(4,338)
Asset revaluation surplus		20,552	20,552	-
Total equity		46,452	42,114	(4,338)

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

V7. The increase in other current asset is primarily due to salaries prepayment of \$0.331 million at the end of the financial year.

V8. The increase is primarily related to implementation of AASB 16 where leases are now recognised on balance sheet as right-of-use assets. This was budgeted under the Property, plant and equipment line item.

V9. The increase for provision for grants of aid is primarily due to the continued growth in general criminal and family law matters. The court closures as a result of the COVID-19 pandemic has also resulted in certain matters being postponed and the subsequent increase in non-current provision for grants of aid.

V10. The increase in lease liabilities and make good provision is due to an extra lease space taken up in 2019-20 as well as adjustments made due to rent reviews throughout the year.

V11. The variance has arisen from advance funding from Department of Justice and Attorney-General for future payments to community legal centres. Refer to Note E4.

V12. The variance has arisen from advance funding of \$0.905 million received from the Commonwealth Government for expensive criminal cases.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

D4 BUDGET TO ACTUAL COMPARISON – STATEMENT OF CASH FLOWS

	Variance Notes	Original Budget 2020 \$'000	Actual Result 2020 \$'000	Variance \$'000
Cash flows from operating activities				
Inflows				
Grants and other contributions	V1, V12	162,611	145,188	(17,423)
User charges	V2	1,870	2,461	591
GST input tax credit from ATO	V13	12,578	10,652	(1,926)
Other		1,900	1,074	(826)
		178,959	159,375	(19,584)
Outflows				
Supplies and services		(86,185)	(89,464)	(3,279)
Employee expenses	V4	(61,910)	(66,209)	(4,299)
Grants to legal centres	V1	(22,190)	(50)	22,140
Borrowing costs	V14	(437)	-	437
GST remitted to ATO	V13	(35)	(523)	(488)
Other		(1,185)	(135)	1,050
		(171,942)	(156,381)	15,561
Net cash provided by/(used in) operating activities		7,017	2,994	4,023
Cash flows from investing activities				
Inflows				
Proceeds from sale of plant and equipment		65	14	(51)
Outflows				
Payments for plant and equipment	V15	(2,795)	(484)	2,311
Payments for intangibles		-	-	-
		(2,795)	(484)	2,311
Net cash provided by/(used in) investing activities		(2,730)	(470)	2,260

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

D4 BUDGET TO ACTUAL COMPARISON – STATEMENT OF CASH FLOWS (continued)

	Variance Notes	Original Budget 2020 \$'000	Actual Result 2020 \$'000	Variance \$'000
Cash flows from financing activities				
Outflows				
Finance lease payments	V10	(2,290)	(2,741)	(451)
Net cash (used in) financing activities		(2,290)	(2,741)	(451)
Net increase/(decrease) in cash and cash equivalents		1,997	(217)	(2,214)
Cash and cash equivalents at beginning of financial year		47,868	50,397	2,529
Cash and cash equivalents at end of financial year		49,865	50,180	315

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

V13. The decrease in cash inflows and increase in cash outflows for Goods and Services Tax to and from the Australian Taxation Office is directly attributable to an over estimated budget.

V14. No borrowing costs were incurred as the finance lease interest charges were a non-cash item.

V15. The decrease is primarily related to a reduction in motor vehicles replaced during the year, and a number of Brisbane leasehold improvements, Brisbane refurbishment works and the Mt Isa leasehold improvement not progressing during 2019-20 amounting to \$2.065 million.

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.

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 2019-20 and 2018-19. 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.
Senior Director, Legal Practice*	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.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

E1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

Position	Position Responsibility
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.
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.
Senior Director, Business Support [^]	Includes responsibility of Director Corporate Services and overseeing grants division.
Director Grants	Lead and manage a significant range of functions associated with managing external and in-house legal service procurement.
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.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

E1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

Position	Position Responsibility
Manager Communications and Community Legal Education#	Manage corporate communication and access to external and internal information for Legal Aid Queensland, including media and public relations policies, plans and programs to raise awareness about services and improve the organisation's public image.
Manager Governance#	Provide high level coordination and advice to the Legal Aid Queensland Board, Audit Risk and Compliance Committee, Executive Management Team and Senior Director, Business Support about strategic and operational planning, compliance, risk management, business continuity, right to information and privacy and complaints management.

* Previously known as Deputy Chief Executive Officer.

^ Previously known as Director, Business Support.

These positions were added to the Executive Management Team in 2019-20

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

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, 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 2019-20. Individual remuneration and other terms of employment (including motor vehicle entitlements) are specified in employment contracts.

Remuneration expenses for KMP comprise the following components:

Short term employee expenses include salaries, and 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.

No KMP remuneration packages provide for performance or bonus payments.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

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 are determined on the same basis as 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 2019 – 30 June 2020

Position	Short term employee expenses	Long term employee expenses	Post-employment expenses	Total expenses
	\$'000	\$'000	\$'000	\$'000
Chief Executive Officer	251	32	29	312
Senior Director, Legal Practice	201	25	28	254
Public Defender Counsel	197	22	22	241
Director Family Law and Civil Justice Services	197	24	19	240
Director Criminal Law Services	184	20	22	226
Senior Director, Business Support	196	21	22	239
Director Grants	173	19	21	213

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

E1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

1 July 2019 – 30 June 2020 (continued)

Position	Short term employee expenses	Long term employee expenses	Post-employment expenses	Total expenses
	\$'000	\$'000	\$'000	\$'000
Director Information and Advice	146	16	16	178
Chief Finance Officer	132	13	17	162
Manager Communications and Community Legal Education#	119	20	15	154
Manager Governance#	118	15	16	149
Total remuneration	1,914	227	227	2,368

1 July 2018 – 30 June 2019

Position	Short term employee expenses	Long term employee expenses	Post-employment expenses	Total expenses
	\$'000	\$'000	\$'000	\$'000
Chief Executive Officer	248	25	30	303
Deputy Chief Executive Officer	169	22	22	213

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

E1 KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (continued)

1 July 2018 – 30 June 2019 (continued)

Position	Short term employee expenses	Long term employee expenses	Post-employment expenses	Total expenses
	\$'000	\$'000	\$'000	\$'000
Public Defender Counsel	180	20	19	219
Director Family Law and Civil Justice Services	197	24	23	244
Director Criminal Law Services	200	22	24	246
Director Corporate Services	139	16	18	173
Director Business Support	53	4	4	61
Director Grants	185	22	21	228
Director Information and Advice	127	16	18	161
Chief Finance Officer	131	16	17	164
Total remuneration	1,629	187	196	2,012

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

E2 RELATED PARTY TRANSACTIONS

Transactions with KMP

During the financial year, a practice belonging to a family member of a board member was paid \$88,620 (2019: \$79,962) for legal services provided to Legal Aid Queensland clients. Another board member's practice was paid \$92,182 (2019: \$139,978). All of 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

	2020	2019
	\$'000	\$'000
Summary of cash flows:		
Balance as at 1 July	84	48
Receipts	964	1,059
Payments	(984)	(1,092)
Transfer to user charges	(14)	69
Balance as at 30 June	50	84

Accounting policy – Monies held in trust

Legal Aid Queensland hold monies received from clients and held in trust until finalisation of their legal matters. As Legal Aid Queensland performs only a custodial role in respect of these transactions, the account balances are not recognised in the financial statements but are disclosed in the note above for the information of users.

E4 GRANTS PAYABLE TO COMMUNITY LEGAL CENTRES

During the year Legal Aid Queensland received monies from both state and commonwealth 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.

	2020	2019
	\$'000	\$'000
Current		
Grants payable	1,509	1,797

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

E4 GRANTS PAYABLE TO COMMUNITY LEGAL CENTRES (continued)

	2020	2019
	\$'000	\$'000
Movement		
Balance as at 1 July	1,797	1,844
Receipts	23,641	22,280
Payments	(23,929)	(22,327)
Balance as at 30 June	1,509	1,797

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

	2020	2019
	\$	\$
Margaret McMurdo (Board Chair)	8,829	13,919
Allan Welsh	9,370	9,370
Joshua Creamer	9,370	9,370
Sandra Deane	9,370	9,370
Lucia Taylor	8,812	6,200
Total	45,751	48,229

Board remuneration 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

Accounting standards applied for the first time

These new accounting standards were applied for the first time in 2019-20:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-profit Entities*
- AASB16 *Leases*

Except for AASB 16 *Leases*, no other accounting standards or interpretations that apply to the organisation for the first time in 2019-20 have any material impact on the financial statements.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

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

AASB 16 – Leases

Legal Aid Queensland applied AASB 16 *Leases* for the first time in 2019-20. The organisation applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations.

The nature and effect of changes resulting from the adoption of AASB 16 are described below.

1. Definition of a lease

AASB 16 introduced new guidance on the definition of a lease.

Amendments to former operating leases for office accommodation

In 2018-19, the organisation held operating leases under AASB 117 from DHPW for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO). Effective 1 July 2019, the framework agreements that govern QGAO were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting. From 2019-20 onward, the costs for these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

2. Changes to lessee accounting

Previously, the organisation classified its leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the asset to the lessee. This distinction between operating and finance leases no longer exist for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

Lease liabilities

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that the organisation is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

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

AASB 16 – Leases (continued)

The discount rate used is the interest rate implicit in the lease, or the organisation's incremental borrowing rate if the implicit rate cannot be readily determined. Subsequently, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in variable lease payments that depend on an index or rate (e.g. a market rent review), or a change in the lease term.

Right-of-use assets

The right-of-use asset is initially recognised at cost comprising the following:

- the initial amount of the associated lease liability;
- lease payments made to the lessor at or before the commencement date, less any lease incentive received;
- initial estimate of restoration costs; and
- initial direct costs incurred.

The right-of-use asset gives rise to a depreciation expense and be subject to impairment.

Right-of-use assets differ in substance from leased assets previously recognised under finance leases in that the asset represents the intangible right to use the underlying asset rather than the underlying asset itself.

Short-term leases and leases of low value assets

Legal Aid Queensland has elected to recognise lease payments for short-term leases and leases of low value assets as expenses on a straight-line basis over the lease term, rather than accounting for them on balance sheet. This accounting treatment is similar to that used for operating leases under AASB 117. However, as at 30 June, Legal Aid Queensland does not have any short-term leases and leases of low value assets.

3. Transitional impact

Former operating leases as lessee

The majority of Legal Aid Queensland's former operating leases, other than the exempt QGAO arrangement, are now recognised on the statement of financial position as right-of-use assets and lease liabilities. On adoption of AASB 16, existing lease incentives liabilities were derecognised against opening balance of accumulated surplus. This resulted in an increase in opening accumulated surplus of \$102,275.

On transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the organisation's incremental borrowing rate at 1 July 2019. The organisation's incremental borrowing rates on 1 July 2019 were between 1.43% and 2.12%.

The right-of-use of assets were measured at an amount equal to the lease liability.

LEGAL AID QUEENSLAND
Notes to the Financial Statements
for the year ended 30 June 2020

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

AASB 16 – Leases (continued)

The following table summarises the on-transition adjustments to asset and liability balances at 1 July 2019 in relation to former operating leases.

	2020 \$'000
Right-of-use assets - Plant and equipment	20,424
Lease liabilities	20,016
Make good provision	409
Lease incentive liabilities	(102)
Accumulated surplus	102

4. Reconciliation of operating lease commitments at 30 June 2019 to the lease liabilities at 1 July 2019

	\$'000
Total undiscounted operating lease commitments at 30 June 2019	13,506
- discounted using the incremental borrowing rate at 1 July 2019	1,262
Present value of operating lease commitments	12,244
- less internal-to-government arrangements that are no longer leases	2,285
- add adjustments due to reassessments of lease terms	10,057
Finance lease liabilities at 30 June 2019	20,016
Lease liabilities at 1 July 2019	20,016

Accounting standards early adopted

No Australian Accounting Standards have been adopted early for 2019-20.

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).