

LEGAL AID COMMISSION OF NEW SOUTH WALES
Notes accompanying and forming part of the financial statements
for the financial year ended 30 June 2024

1 STATEMENT OF MATERIAL ACCOUNTING POLICY INFORMATION

(a) Reporting Commission

The Legal Aid Commission of NSW (the Commission) is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The Commission is an independent statutory body, established under the *Legal Aid Commission Act 1979*. The Commission is a not-for-profit Commission (as profit is not its principal objective) and it has no cash generating units. The Commission's main objective is to improve access to justice for the most disadvantaged people in our society, responding to their legal needs.

The Commission, as a reporting entity, comprises all entities under its control, namely the Commission and the Legal Aid Commission Staff Agency.

Transactions relating to the Legal Aid Commission Trust Account are not included in the financial statements of the Commission, as the Commission does not control or use these funds for the achievement of its objectives (refer note 20).

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated and like transactions and other events are accounted for using uniform accounting policies.

The consolidated financial statements for the year ended 30 June 2024 were authorised for issue by the Chair, Legal Aid NSW and the Chief Executive Officer on 10 September 2024.

(b) Basis of Preparation

The Commission's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- Applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- The requirements of the *Government Sector Finance Act 2018 (GSF Act)* and Regulation, and
- Treasurer's Directions issued under the *GSF Act*.

Plant and equipment and intangible assets are measured at fair value where there is an active market. Where there is no active market, the asset is carried at cost less any accumulated amortisation and impairment losses. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest thousand and are expressed in Australian currency, which is the Commission's presentation and functional currency.

(c) Statement of Compliance

The financial statements and notes comply with the Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except that:

- The amount of GST incurred by the Commission as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense, and
- Receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(e) Budgeted Amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments made to the original budget (e.g. adjustment for transfers of functions between entities as a result of Administrative Arrangement Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed on the primary financial statements are explained in Note 18.

(f) Comparative Information

Except when an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

(g) Changes in accounting policy, including new or revised Australian Accounting Standards

Effective for the first time in 2023-24

The accounting policies applied in 2023-24 are consistent with those of the previous financial year. Management has assessed all new or revised accounting standards (including those issued but not yet effective) and has concluded these do not have a material impact on the financial statements of Legal Aid NSW.

- AASB 17 Insurance Contracts (Appendix D)
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current
- AASB 2022-1 Amendments to Australian Accounting Standards - Initial Application of AASB17 and AASB 9 - Comparative Information
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-8 Amendments to Australian Accounting Standards - Insurance Contracts: Consequential Amendments

Issued but not yet effective

NSW Public Sector entities are not permitted to early adopt new AAS, unless Treasury determines otherwise. The following new AAS have not been applied and are not yet effective:

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2022-9 Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Sector Entities
- AASB 2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangements
- AASB 2023-3 Amendments to Australian Accounting Standards - Disclosure of Non-Current Liabilities with Covenants: Tier 2
- AASB 2023-5 Amendments to Australian Accounting Standards - Lack of Exchangeability

It is considered that the impact of the above new Standards and Interpretations in future periods will have no material impact on the financial statements of the Commission for the year ending 30 June 2024.

(h) Impact of climate-related matters on financial reporting for 2023-24

Legal aid NSW has no assets or liabilities which are likely to be affected by write-offs or impairments.

Legal Aid NSW does not anticipate any material-related financial risks or opportunities over the reporting period. Management is monitoring developments in climate-related matters for future impacts on revenue and costs.

	Consolidated		Commission	
	2024	2023	2024	2023
2 EXPENSES EXCLUDING LOSSES	\$'000	\$'000	\$'000	\$'000
(a) Employee related expenses and personnel services				
Employee related expenses				
Salaries and wages (including annual leave)	171,747	146,352	-	-
Superannuation - defined benefit plans	690	948	-	-
Superannuation – defined contribution plans	19,102	14,845	-	-
Long service leave	4,465	4,348	-	-
Workers' compensation insurance	1,874	798	-	-
Payroll tax and fringe benefits tax	10,364	9,013	-	-
Agency staff costs	768	1,309	768	1,309
Total	209,010	177,613	768	1,309

The Commission does not employ staff that are directly involved in day-to-day servicing or maintenance. Employee related expenses capitalised to assets in 2023-24 was \$0.00m (2022-23: \$0.367m), therefore excluded from the above (for 2023).

Personnel services

Personnel services provided by the Legal Aid Commission Staff Agency	-	-	208,939	176,747
Total	-	-	208,939	176,747

(b) Other operating expenses

Auditor's remuneration - audit of financial statements	172	160	172	160
Auditor's remuneration - other	-	26	-	26
Cleaning	570	572	570	572
Consultants	343	981	343	981
Contractors	1,066	988	1,066	988
Electricity and gas	308	276	308	276
Information Technology (includes licensing and support)	11,377	9,475	11,377	9,475
Insurance	432	307	432	307
Internal audit	171	117	171	117
Lease and Occupancy Agreement	14,119	13,727	14,119	13,727
Library resources	1,003	859	1,003	859
Maintenance	456	325	456	325
Postage	692	671	692	671
Practicing certificates	766	658	766	658
Printing	834	871	834	871
Records management	965	920	965	920
Stationery, stores and provisions	805	656	805	656
Telephone	408	510	408	510
Travel	3,239	2,244	3,239	2,244
Other	5,880	4,601	5,145	4,104
Total	43,606	38,944	42,871	38,447

Recognition and Measurement

Maintenance Expense

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Insurance

The Commission's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

Lease and Occupancy Agreement expense

The entity recognises the lease payments associated with the following types leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less.

This excludes leases with a purchase option.

- Leases of assets that are valued at \$10,000 or under when new.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs. Office accommodation arrangements operate under a substantive substitution right. These agreements are not within the scope of AASB16 Leases.

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
(c) Depreciation and amortisation expenses				
Depreciation				
Leasehold improvements	2,679	2,956	2,679	2,956
Right of use leased assets	137	286	137	286
Plant and equipment	386	505	386	505
Total	3,202	3,747	3,202	3,747
Amortisation				
Software	5,220	4,856	5,220	4,856
Total	5,220	4,856	5,220	4,856
Total depreciation and amortisation expense	8,422	8,603	8,422	8,603
Refer to Notes 9, 10 and 11 for recognition and measurement policies on depreciation and amortisation.				
(d) Grants and subsidies				
Domestic Violence Court Assistance Program	48,911	45,738	48,911	45,738
Community Legal Centres	40,668	37,513	40,668	37,513
Grants to other organisations	5,413	7,490	5,413	7,490
Total	94,992	90,741	94,992	90,741
Grants to Community Legal Centres are funded by way of specific Commonwealth and discretionary State funds.				
(e) Finance costs				
Interest expense from lease liabilities	14	27	14	27

Unwinding of discount on make good provision	(156)	87	(156)	87
Total	(142)	114	(142)	114

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's Mandate to not-for-profit NSW GGS entities.

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
(f) Services provided by private practitioners ⁽¹⁾				
Solicitor services provided by private practitioners	112,351	105,664	112,351	105,664
Barrister services provided by private practitioners	41,944	42,805	41,944	42,805
Disbursements	17,335	14,820	17,335	14,820
Total	171,630	163,289	171,630	163,289

⁽¹⁾ Includes an estimate of the net cost of work in progress by external legal practitioners who have provided services but not submitted an invoice to the Commission at the end of the reporting period. Refer to Note 12.

3 REVENUE

Recognition and Measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers.

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
(a) Sale of goods and services				
Rendering of services				
Criminal Law	4,931	2,994	4,931	2,994
Family Law	3,478	3,353	3,478	3,353
Civil Law	239	593	239	593
Total	8,648	6,940	8,648	6,940

Recognition and Measurement

Rendering of Services

Revenue from rendering of services is recognised when the contribution is levied. The Commission has determined that income from the rendering of services is recognised in accordance with AASB 1058 Income of Not-for-Profit Entities as the granting of aid to a client has been determined as not being a contract.

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
(b) Investment revenue				
Interest on outstanding accounts	414	524	414	524
Total	414	524	414	524

Recognition and Measurement

Investment Revenue

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
(c) Grants and contributions				
Grants without sufficiently specific performance obligations:				
Cluster Agency recurrent contribution	398,370	352,982	398,370	352,982
Cluster Agency capital contribution	10,282	5,822	10,282	5,822
Law Society Public Purpose Fund i)	43,624	39,476	43,624	39,476
Other capital grants	1,151	1,223	1,151	1,223
Cluster Agency recurrent contribution - CLC specific ii)	14,277	14,893	14,277	14,893
Other grants and contributions iii)	59,687	63,748	59,687	63,748
Total	527,391	478,144	527,391	478,144

Recognition and Measurement

Grants and Contributions

Revenue from grants with sufficiently specific performance obligations is recognised as and when the Commission satisfies a performance obligation by transferring the promised goods. Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied. Income from grants without sufficiently specific performance obligations is recognised when the Commission obtains control over the granted assets (e.g. cash).

The Commission has determined that Grants and Contributions revenue is general in nature and within the scope of AASB 1058 and will be recognised immediately on receipt.

- i) This fund provided a grant of \$14.276m (\$8.472m in 2022-23) to provide legal aid services in specific State matters.
- ii) Community Legal Centres (CLC) specific funding received from the Commonwealth Government via the National Partnership Appropriation. In 2023-24, \$14.277m was received (2022-23 \$14.893m). These funds were earmarked for distribution to various Community Legal Centres.

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
iii) Other State or Commonwealth grants and contributions include:				
Commonwealth	11,818	14,354	11,818	14,354
State	47,869	49,394	47,869	49,394
Total	59,687	63,748	59,687	63,748

(d) Acceptance by the Crown of employee benefits and other liabilities

The following liabilities and/or expenses have been assumed by the Crown or other government agencies:

Superannuation - defined benefit	690	948	690	948
Long Service Leave	4,674	4,120	4,674	4,120
Payroll tax	38	54	-	-
Total	5,402	5,122	5,364	5,068

(e) Other revenue

Miscellaneous	3,239	1,334	3,239	1,334
Total	3,239	1,334	3,239	1,334

4 GAIN/(LOSS) ON DISPOSAL

Gain/(Loss) on disposal of plant and equipment

Less: Written down value of assets disposed

	(42)	(132)	(42)	(132)
Net Gain/(loss) on disposal	(42)	(132)	(42)	(132)

5 OTHER GAINS / (LOSSES)

Impairment gain/(loss) on receivables

Gain/(loss) on right of use asset derecognition

	(1,774)	(1,594)	(1,774)	(1,594)
	(111)	(132)	(111)	-
Net Other Gains/(losses)	(1,885)	(1,726)	(1,885)	(1,594)

Recognition and Measurement

Impairment Losses

Impairment losses may arise on assets held by the Commission from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in Note 8 - Receivables, Note 9 - Plant and equipment, Note 10 - Leased assets, and Note 11 - Intangible assets.

6 DISAGGREGATED DISCLOSURE STATEMENTS FOR THE YEAR ENDING 30 JUNE 2024

CONSOLIDATED EXPENSES AND REVENUES

	Group 1 *		Group 2 *		Not		Total	
	Legal Services		Community Partnerships		Attributable			
	2024	2023	2024	2023	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses excluding losses								
Employee related/ Personnel services	203,288	173,338	5,722	4,275	-	-	209,010	177,613
Operating expenses	39,414	37,494	4,192	1,450	-	-	43,606	38,944
Depreciation and amortisation	8,191	8,400	231	203	-	-	8,422	8,603
Grants and subsidies	1,844	1,934	93,148	88,807	-	-	94,992	90,741
Finance costs	(138)	111	(4)	3	-	-	(142)	114
Services provided by private practitioners	171,181	162,888	449	401	-	-	171,630	163,289
Total Expenses excluding losses	423,780	384,165	103,738	95,139	-	-	527,518	479,304
Revenue								
Sale of goods and services	8,648	6,940	-	-	-	-	8,648	6,940
Investment income	398	512	16	12	-	-	414	524
Grants and contributions	425,360	358,100	102,031	120,044	-	-	527,391	478,144
Acceptance by the Crown of employee benefits and other liabilities	5,243	5,056	159	66	-	-	5,402	5,122
Other revenue	1,790	956	1,449	378	-	-	3,239	1,334
Total Revenue	441,439	371,564	103,655	120,500	-	-	545,094	492,064
Operating Result	17,658	(12,601)	(82)	25,361	-	-	17,576	12,760
Gain / (Loss) on disposal of non-current assets	(41)	(111)	(1)	(21)	-	-	(42)	(132)
Other gains / (losses)	(1,868)	(1,685)	(17)	(41)	-	-	(1,885)	(1,726)
Net result	15,749	(14,397)	(100)	25,299	-	-	15,649	10,902
TOTAL COMPREHENSIVE INCOME	15,749	(14,397)	(100)	25,299	-	-	15,649	10,902

CONSOLIDATED ASSETS AND LIABILITIES

	Group 1 *		Group 2 *		Not		Total	
	Legal Services		Community Partnerships		Attributable			
	2024	2023	2024	2023	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets								
Cash and cash equivalents	-	-	-	-	68,611	48,875	68,611	48,875
Receivables	10,193	10,296	1,378	477	-	-	11,571	10,773
Total Current Assets	10,193	10,296	1,378	477	68,611	48,875	80,182	59,648
Non Current Assets								
Receivables	7,916	8,725	1,070	404	-	-	8,986	9,129
Plant and equipment	12,507	11,963	352	295	-	-	12,859	12,258
Right-of-use assets	476	283	13	7	-	-	489	290
Intangible assets	21,652	21,777	609	537	-	-	22,261	22,314
Total Non-Current Assets	42,551	42,748	2,044	1,243	-	-	44,595	43,991
Total Assets	52,744	53,044	3,422	1,720	68,611	48,875	124,777	103,639
Current Liabilities								
Payables	27,055	26,288	677	431	-	-	27,732	26,719
Borrowings	228	43	6	1	-	-	234	44
Provisions	25,123	22,479	707	554	-	-	25,830	23,033
Total Current Liabilities	52,406	48,810	1,390	986	-	-	53,796	49,796
Non Current Liabilities								
Payables	1,506	-	42	-	-	-	1,548	-
Borrowings	362	323	10	8	-	-	372	331
Provisions	7,016	7,138	198	176	-	-	7,214	7,314
Total Non Current Liabilities	8,884	7,461	250	184	-	-	9,134	7,645
Total Liabilities	61,290	56,271	1,640	1,170	-	-	62,930	57,441
Net Assets	(8,546)	(3,227)	1,782	550	68,611	48,875	61,846	46,198

* The names and purposes of each program group are summarised below.

DISAGGREGATED DISCLOSURE DESCRIPTIONS

Group 1 - Legal Services

This group covers the provision of legal services to eligible persons under Commonwealth law and State legislation, provision of community legal education and provision of advice to the socially and economically disadvantaged.

Group 2 - Community Partnerships

This group covers funding of community organisations for specific purposes. It includes providing legal assistance to disadvantaged people, undertaking law reform activities, and providing specialised court-based assistance for women and children seeking legal protection from domestic violence.

7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Cash at bank	68,611	48,875	68,611	48,875
Total Cash	68,611	48,875	68,611	48,875

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents (per Statement of Financial Position)	68,611	48,875	68,611	48,875
Cash and cash equivalents (per Statement of Cash Flows)	68,611	48,875	68,611	48,875

Refer Note 21 for details regarding credit risk and market risk arising from financial instruments

The Commission has a business credit card facility of \$0.300m (2022-23: \$0.300m) with Citibank, which is the total of the credit limit for all issued credit cards. The balance in this facility is cleared monthly.

8 CURRENT / NON-CURRENT ASSETS - RECEIVABLES

Current

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Sale of goods and services	5,384	5,101	5,384	5,101
Less: - Allowance for expected credit losses	(947)	(675)	(947)	(675)
	4,437	4,426	4,437	4,426
Other debtors	201	54	201	54
GST recoverable from Australian Taxation Office	2,260	2,827	2,260	2,827
Prepayments	4,673	3,466	4,673	3,466
Total Current	11,571	10,773	11,571	10,773

Non- Current

Sale of goods and services	12,612	11,845	12,612	11,845
Less: - Allowance for expected credit losses	(3,626)	(2,716)	(3,626)	(2,716)
Total Non-Current	8,986	9,129	8,986	9,129

Movement in the allowance for expected credit losses

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	3,391	2,280	3,391	2,280
Amounts written off during the year	(594)	(487)	(594)	(487)
Amounts recovered during the year	1	4	1	4
Increase/(decrease) in allowance recognised in net result	1,775	1,594	1,775	1,594
Balance at the end of the year	4,573	3,391	4,573	3,391

Details of credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 21.

Receivables from the sale of goods and services (both current and non-current) in the amount of \$11.631m (2022-23: \$10.855m) are secured by way of caveat.

Recognition and Measurement

All 'regular way' purchases or sales of financial asset are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs.

Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

The Commission holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Commission recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss.

For trade receivables, the entity applies a simplified approach in calculating ECLs. The entity recognises a loss allowance based on lifetime ECLs at each reporting date. The Commission has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

	Consolidated		Commission	
	2024	2024	2024	2024
	\$'000	\$'000	\$'000	\$'000
9 NON-CURRENT ASSETS - PLANT AND EQUIPMENT				
At 1 July 2023 - fair value				
Gross Carrying Amount	55,140		55,140	
Less: Accumulated depreciation and impairment	(42,882)		(42,882)	
Net Carrying Amount	12,257		12,257	
At 30 June 2024 - fair value				
Gross Carrying Amount	57,445		57,445	
Less: Accumulated depreciation and impairment	(44,586)		(44,586)	
Net Carrying Amount	12,859		12,859	

Reconciliation

A reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current reporting period is set out below:

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Net carrying amount at beginning of year	12,257	12,317	12,257	12,317
Additions	3,708	3,484	3,708	3,484
Disposals	(42)	(82)	(42)	(82)
Transfers ⁽¹⁾	-	-	-	-
Depreciation expense asset owned	(3,065)	(3,461)	(3,065)	(3,461)
Net carrying amount at end of year	12,859	12,257	12,859	12,257

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

⁽¹⁾ Transfers are from assets under construction where construction is complete.

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Plant and equipment classification				
Office equipment	613	826	613	826
IT hardware	266	368	266	368
Leasehold improvements	11,979	11,063	11,979	11,063
	12,859	12,257	12,859	12,257

Recognition and Measurement

Acquisition of Plant and Equipment

Plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other AAS.

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

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted over the period of credit.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Capitalisation Thresholds

Plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network or group costing more than \$5,000) are capitalised.

Restoration Costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation of Plant and equipment

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Commission. Leasehold improvements are amortised over the unexpired period of the lease or estimated useful life whichever is the shorter. Refer Note 2(c).

	2024	2023
Applicable depreciation rates for each class of depreciable assets are listed below:	%	%
Computer Equipment	20-25	20-25
Office Equipment	15-25	15-25
Leasehold Improvements (includes Furniture and Fittings)	Term of the lease or 10 years whichever is the lesser	

Right-of-Use Assets acquired by lessees

The Commission has elected to present right-of-use assets separately in the Statement of Financial Position. Further information on leases is contained at Note 10.

Revaluation of Plant and Equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 21-09). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

The Commission's plant and equipment are non-specialised assets with short useful lives and are measured at depreciated historical cost, as an approximation of fair value. The Commission has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Impairment of Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As plant and equipment is carried at fair value, or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

10 LEASES

The Commission leases various properties and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The entity does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The Commission has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less.

The following table presents right-of-use assets.

Right-of-use assets under leases	Plant and Equipment (\$'000)
Balance 01 July 2023	290
Additions and/or reassessment of leases	336
Depreciation expense right-of-use asset	(137)

Balance 30 June 2024	489
Balance 01 July 2022	963
Additions and/or reassessment of leases	(387)
Depreciation expense right-of-use asset	(286)
Balance 30 June 2023	290

Lease liabilities - Borrowings

The following table presents liabilities under leases:

	2024	2023
	\$'000	\$'000
Balance 01 July 2023	375	1,174
Additions and/or reassessment of leases	108	(581)
Interest expense on lease liabilities	14	27
Payments	(268)	(377)
Derecognition of lease liabilities	377	132
Balance 30 June (see Note 13)	606	375

The following amounts were recognised in the statement of comprehensive income in respect of leases where the Commission is the lessee:

	2024	2023
	\$'000	\$'000
Depreciation expense right-of-use asset	136	286
Interest expense on lease liabilities	14	27
Expense relating to short term leases	16	151
Expense relating to low-value assets	477	330
Total amount recognised in the statement of comprehensive income	643	794

The Commission had total cash outflows for leases of \$0.542m in FY2023-24 (FY2022-23 \$0.529m).

Recognition and measurement

The Commission assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Commission recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i) Right-of-use assets

The Commission recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site. The right of use assets are subsequently measured at cost.

They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Property Leases - term of the lease remaining
- Motor vehicles and other equipment - 2 to 5 years

If ownership of the leased asset transfers to the entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The Commission assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

ii) Lease liabilities

At the commencement date of the lease, the Commission recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by the Commission; and
- payments of penalties for terminating the lease, if the lease term reflects the Commission exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Commission's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Commission's lease liabilities are included in borrowings.

iii) Short-term leases and leases of low-value assets

The Commission applies the short-term lease recognition exemption to its short-term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

iv) Leases that have significantly below-market terms and conditions principally to enable the Commission to further its objectives.

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the entity to further its objectives is the same as for normal right-of-use assets. They are measured at cost, subject to impairment.

11 INTANGIBLE ASSETS

	Consolidated		Commission	
	2024	2023	2024	2023
At 1 July - fair value	\$'000	\$'000	\$'000	\$'000
Cost (gross carrying amount)	49,377	44,439	49,377	44,439
Less: Accumulated amortisation and impairment	(27,063)	(22,858)	(27,063)	(22,858)
Net Carrying Amount	22,314	21,581	22,314	21,581
At 30 June - fair value				

Cost (gross carrying amount)	54,544	49,377	54,544	49,377
Less: Accumulated amortisation and impairment	(32,283)	(27,063)	(32,283)	(27,063)
Net Carrying Amount	22,261	22,314	22,261	22,314

Reconciliation

A reconciliation of the carrying amounts of intangible assets at the beginning and end of the current reporting period is set out below.

Net carrying amount at beginning of year	22,314	22,581	22,314	21,581
Additions	5,167	5,640	5,167	5,640
Disposals	-	(51)	-	-
Transfers to plant and equipment	-	-	-	-
Amortisation (recognised in "depreciation and amortisation")	(5,220)	(4,856)	(5,220)	(4,856)
Net carrying amount at end of year	22,261	22,314	22,261	22,365
Intangible assets classification				
IT software	20,976	19,922	20,976	19,922
IT software under construction	1,285	2,392	1,285	2,392
	22,261	22,314	22,261	22,314

Recognition and Measurement

The Commission recognises intangible assets only if it is probable that future economic benefits will flow to the Commission and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the Commission's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. The Commission's intangible assets are amortised using the straight-line method over a period of generally 4-10 years.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

12 CURRENT / NON-CURRENT LIABILITIES – PAYABLES

	Consolidated		Commission	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Accrued salaries, wages and on-costs	4,704	4,502	-	-
Legal Aid Commission Staff Agency - accrued salaries, wages and on-costs	-	-	4,704	4,502
Creditors	1,082	1,370	1,082	1,370
Accrued Expenses	2,400	2,608	2,400	2,608
Accrual of estimated legal expenses - current i)	19,546	18,239	19,546	18,239
Total - current payables	27,732	26,719	27,732	26,719
Accrual of estimated legal expenses - non-current i)	1,548	-	1,548	-
Total - non-current payables	1,548	-	1,548	-

- i) The Commission has accrued the cost of work in progress by external legal practitioners using calculations performed by an actuary. The actuary was able to satisfactorily reconcile historical payment information received at June 2024 with that received 12 months earlier and LANSW have undertaken an independent reconciliation of payments made in the last 12 months. The liability is calculated using the Paid Chain Ladder (PCL) method which analyses the past pattern of payments to predict future payments. The actuary has made no allowance for the impact of inflating or discounting the value of Outstanding Creditors. Given the relatively short- term nature of payments for this type of business, the effects of inflating and discounting do not have a material effect on the valuation result.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 21.

Recognition and Measurement

Payables represent liabilities for goods and services provided to the Commission and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

13 CURRENT / NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated		Commission	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Lease liability - current	234	44	234	44
Lease liability – non-current	372	331	372	331
Total (see Note 10)	606	375	606	375

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 21.

Recognition and Measurement

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

	Consolidated		Commission	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
14 CURRENT / NON-CURRENT LIABILITIES - PROVISIONS				
Current				
Employee benefits and related on-costs				
Annual leave	13,602	12,032		
Annual leave expected to be taken after 12 months	2,810	2,485		
Parental leave	473	-		
Provision for related on-costs	8,945	8,516		
Legal Aid Commission Staff Agency - provision for personnel services	-	-	25,830	23,033
Total Current	25,830	23,033	25,830	23,033
Non-Current				
Employee benefits and related on-costs				
Provision for related on-costs	404	444	-	-
Legal Aid Commission Staff Agency - provision for personnel services	-	-	404	444
	404	444	404	444
Other Provisions				

Restoration costs ⁽¹⁾	6,810	6,870	6,810	6,870
	6,810	6,870	6,810	6,870
Total Non-Current Provisions	7,214	7,314	7,214	7,314

⁽¹⁾ Restoration costs refers to the present value of estimated cost of make good obligations (in accordance with AASB 137) that will arise when existing office accommodation leases expire. The provision is adjusted annually for unwinding and changes in discount rates. Any cost variations in make good expenses at the time of implementation will be recognised in the Statement of Comprehensive Income.

Aggregate employee benefits and related on-costs

Provisions - current	25,830	23,033		
Provisions - non-current	404	444		
Accrued salaries, wages and on-costs (Note 12)	4,704	4,502		
	30,938	27,979		

Movements in provisions (other than employee benefits)

Restoration Provision

Carrying amount at start of financial year	6,870	6,783	6,870	6,783
Additional provisions recognised	300	-	300	-
Amounts used or reduction in provision	(202)	-	(202)	-
Unwinding / change in the discount rate	(158)	87	(158)	87
Carrying amount at end of financial year	6,810	6,870	6,810	6,870

Recognition and Measurement

Employee Benefits and related on-costs

To enable the Commission to carry out its functions, all personnel service requirements are provided by Legal Aid Commission Staff Agency which is a special purpose service Commission that is a Division of the Government of New South Wales. The personnel service is charged at cost.

Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 8.4% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. Legal Aid has assessed the actuarial advice based on the Commission's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the Commission does not expect to settle the liability within 12 months as the Commission does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

A current liability provision for paid parental leave has been recognised for the first time following changes to the paid parental leave conditions to allow for 14 or 16 weeks of leave to be taken until the child is two.

Long Service Leave and Superannuation

The Commission's liabilities for long service leave and defined benefit superannuation are assumed by the Crown in right of the State of New South Wales (Crown). The Commission accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Consequential on-costs

Consequential on-costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

Provisions

Provisions are recognised when: the Commission has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

If the effect of the time value of money is material, provisions are discounted at 4.40% (2023 4.17%), which reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

15 EQUITY

Recognition and Measurement

Accumulated Funds

The category 'accumulated funds' includes all current and prior period retained funds.

16 COMMITMENTS FOR EXPENDITURE

	Consolidated		Commission	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Capital Commitments				
Aggregate capital expenditure contracted for at balance date and not provided for:				
Not later than one year	1,688	1,851	1,688	1,851
Total (including GST)	1,688	1,851	1,688	1,851

The total commitments above include input tax credits of \$0.153m (2022-23: \$0.17m) that are expected to be recoverable from the Australian Taxation Office.

17 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At the date of this report, there is no current litigation involving the Legal Aid Commission of NSW from which a contingent liability or contingent asset may arise (2022-23: \$0).

18 BUDGET REVIEW

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

Net Result

The total surplus result for the year of \$15.7m (22-23 surplus of \$10.9m) shows a \$29.1m favourable variance to the original budget deficit of \$13.4m. The main contributors to the surplus are an under-spend in employee-related expenses of \$2.5m, Grants & subsidies of \$7.4m and a \$7.1m in legal expenses.

Assets and Liabilities

Actual net assets of \$61.9m is more than the budget due to the favourable operating result. The main contributors are: current assets of \$80.2m is \$38m more than the budget of \$42.2m. Non-current assets of \$44.6m is \$3.3m lower than the budget of \$47.9m.

Payables of \$27.7m is in line with the budget of \$26.4m; current provisions of \$25.8m is \$6.4m higher than the budget of \$19.4m. Non-current employee benefits of \$0.4m, accrual of legal expenses of \$1.6m and restoration costs of \$6.8m being office accommodation make good make up the non-current provisions.

Cash Flows

The net surplus of cash flow was \$68.6m compared to the budget of \$31.4m due to the favourable operating result. Total operating activities receipts were \$552.3m compared to operating activities payments of \$523.5m. The net cash outflow from investing activities of \$9.1m is lower than the budget of \$12.4m due to under-spend on the purchase of plant and equipment. The closing cash actual balance of \$68.6m was \$37.2m higher than budget.

19 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT	Consolidated		Commission	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:				
Net cash used on operating activities	28,854	24,929	28,854	24,929
Depreciation and amortisation expense	(8,422)	(8,603)	(8,422)	(8,603)
Interest expense from lease liabilities	(14)	(27)	(14)	(27)
Decrease / (increase) in provisions	(4,150)	(1,338)	(4,150)	(1,338)
Decrease / (increase) in creditors	(1,011)	(5,376)	(1,011)	(5,376)
Increase / (decrease) in prepayments and other assets	655	1,449	655	1,449
Net Gain/(Loss) on disposal of plant and equipment	(42)	(132)	(42)	(132)
Additions/(Write-backs) to lease restoration provision	(221)	-	(221)	-
Net Result	15,649	10,902	15,649	10,902

20 TRUST FUNDS

The Legal Aid Commission of NSW does not control the funds in the following Trust Account:

Legal Aid Commission Trust Account 1

Cash balance at the beginning of the financial year	624	1,569
Add: Receipts	1,903	2,320
Less: Expenditure	(2,021)	(3,265)
Cash balance at the end of the financial year	506	624

As the Legal Aid Commission of NSW performs only a custodial role in respect of trust monies, and because the monies cannot be used for the achievement of its objectives; that is, the definition criteria for assets is not met, trust funds are not brought to account in the financial statements, but are shown in the notes for information purposes.

1 Pursuant to Section 64A of the Legal Aid Commission Act 1979, a Legal Aid Commission Trust Account is maintained for verdict and settlement moneys held on behalf of legally aided persons represented by Commission in-house practitioners. The Legal Aid Commission of NSW may recover some costs upon finalisation of these matters.

21 FINANCIAL INSTRUMENTS

The principal financial instruments of the Commission are outlined below. These financial instruments arise directly from the operations of the Commission or are required to finance the operations of the Commission. The Commission does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The main risks arising from financial instruments for the Commission are outlined below, together with the objectives of the Commission, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout the financial statements.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Legal Aid Commission of NSW, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by Management and by the Internal Auditors on a continuous basis.

(a) Financial Instrument Categories	Note	Category	Carrying Amount 2024 \$'000	Carrying Amount 2023 \$'000
Financial Assets				
Class:				
Cash & cash equivalents	7	Amortised cost	68,611	48,875
Receivables ¹	8	Amortised cost	13,624	13,609
Financial Liabilities				
Class:				
Payables ²	12	Financial liabilities measured at amortised cost	28,998	25,956

¹. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

². Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

The Commission determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Commission transfers its rights to receive cash flows from the asset or as assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the Commission has transferred substantially all the risks and rewards of the asset; or
- the Commission has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When the Commission has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Commission has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Commission's continuing involvement in the asset. In that case, the Commission also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Commission has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of Consideration that the Commission could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial Risks

i) Credit Risk

Credit risk arises when there is the possibility of the counterparties of the Commission defaulting on their contractual obligations, resulting in a financial loss to the Commission. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit loss or allowance for impairment).

Credit risk arises from the financial assets of the Commission, including cash, and receivables. The Commission has secured a portion of its receivables by way of caveat. The Commission has not granted any financial guarantees.

Credit risk associated with the financial assets of the Commission, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

The Commission considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the entity may also consider a financial asset to be in default when internal or external information indicates that the entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Commission.

Cash

Cash comprises the Commission's funds that are held in the general operating bank account within the NSW Treasury Banking System (TBS). Refer Note 7.

Accounting policy for impairment of trade receivables and other financial assets - Receivables

Collectability of receivables is reviewed on an ongoing basis with appropriate follow-up letters sent.

The Commission applies the AASB 9 Financial Instruments simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Commission has calculated the value of debtors impairment of receivables using calculations performed by an actuary. The actuary was supplied with individual contributions data for each client and individual repayment information as at 30 June 2024. The actuary subdivided the debtors portfolio into two groups (secured and unsecured) and made separate estimates of the outstanding legal debtors for each group. The actuary estimated the value of the debt for each cohort using the incurred cost development method. The Incurred Cost Development method estimates the ultimate incurred cost of debts in each contribution period by analysing the past pattern of debt development and estimating a pattern for the future. Further to this, as future repayments will be made over a number of years the actuary has discounted the expected future contributions to calculate a present value as at 30 June 2024. The discount rate was assumed to be 4.40% p.a. for secured debtors and 4.20% p.a. for unsecured debtors, derived from prevailing yields on Commonwealth government bonds as at the balance date.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period after the matter has been closed. Interest is charged on overdue trade debtors' accounts under section 71A of the Legal Aid Commission Act 1979 as amended and applicable interest rates were as follows:

	01/01/2024 to 30/06/2024	01/07/2023 to 31/12/2023
Overdue debt (Section 71A of <i>Legal Aid Commission Act</i>)	5.18%	5.05%
Local Court judgements (Section 101 of <i>Civil Procedure Act 2005</i>)	10.35%	10.10%
Family Court judgements (Section 117B of <i>Family Law Act</i>)	10.35%	10.10%

The Commission is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2024: \$0.532m 2023: \$0.471m) and not less than one month past due (2024: \$0.984m 2023: \$0.801m) are not considered impaired and together these represent 8.70% of the total debtors (2023: 7.88%).

The only financial assets that are past due or impaired are "Sales of Goods and Services" in the "Receivables" category of the Statement of Financial Position.

As at 30 June, the ageing analysis of trade receivables is as follows:

	Total \$'000	Past due but not considered loss allowance (See note 1,2) \$'000	Considered loss allowance (See note 1,2) \$'000
2024			
< 3 months overdue	984	984	-
3 months - 6 months overdue	1,355	408	947
> 6 months overdue	15,070	11,444	3,626
2023			
< 3 months overdue	920	920	-
3 months - 6 months overdue	806	131	675
> 6 months overdue	14,418	11,702	2,716

¹ Each column in the table reports 'gross receivables'

² The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the sum of the receivables total in Note 8.

Authority Deposits

The Commission did not have any deposit with TCorp during the financial year.

ii) Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its payment obligations when they fall due. The Commission continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers CEO may automatically pay the supplier simple interest. The Commission did not incur any penalty interest for late payment of claims.

The table below summarises the maturity profile of the financial liabilities of the Commission, together with the interest rate exposure.

	Consolidated and Commission			
	Nominal Amount ¹ \$000	Maturity < 1 year \$000	Maturity 1 to 5 years \$000	Maturity > 5 years \$000
2024				
<i>Payables</i>				
Accounts payables	28,998	27,450	1,548	-
<i>Borrowings</i>				
Lease liabilities	606	234	372	-
2023				
<i>Payables</i>				
Accounts payables	25,956	25,956	-	-
<i>Borrowings</i>				
Lease liabilities	375	44	331	-

¹ The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which Legal Aid can be required to pay except for Borrowings which are discounted at weighted average effective interest rate of 4.10%

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The exposure to market risk of the Commission is minimal. The Commission has no exposure to foreign currency risk and does not enter into commodity contracts.

iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the entity's interest-bearing liabilities. The Commission does not account for any fixed rate financial instruments at fair value through the comprehensive income statement. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. Exposure to interest rate risk arises primarily through the Commission's interest-bearing liabilities. The interest rate risk impact is not significant.

	2024		2023	
	-1%	1%	-1%	1%
Lease liabilities	(156)	156	(109)	109
Equity	(618)	618	(462)	462

(e) Fair value measurement

i. Fair value compared to carrying amount:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

ii. Fair value recognised in the Statement of Financial Position

Management assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

(f) Uncertainty in WIP and Debtor valuation

The actuarial assessment of WIP and Debtors includes a sensitivity analysis (see table below). This analysis is intended to provide an indication of the general level of uncertainty within the actuarial valuation. It should be noted that these sensitivities are illustrations only - they are not necessarily mutually exclusive and outcomes outside of these ranges are possible. See table below.

- For the assessment of outstanding legal creditors (WIP), the actuarial valuation assumes work was completed on average "half way" between the service from and service to date (if available) or the start and end date as denoted on the invoice. If this assumption was changed to allow for lumpiness in the schedule of work between the start and end dates, the liability may also change by around 12% or \$2.5m.
- For the assessment of outstanding legal debtors, a 1% (absolute) increase in discount rates will decrease the value of the secured debtors asset by \$0.4m.

Sensitivity Analysis

Creditors

Scenario	Net Provision		Impact	
	\$m	\$m	\$m	%
Base Scenario				
Work completed date assumed to be midway between start and end date	20.8			
Work completed date assumed to be 2/5ths way between start and end date	23.2	2.4		12%
Work completed date assumed to be 3/5ths way between start and end date	18.2	-2.6		-12%

Secured Debtors

Scenario	Net Provision		Impact	
	\$m	\$m	\$m	%
Base Scenario	8.3			
Ultimate Debt Recoverability				
			-0.3	-4%
			-0.4	-5%
Discount Rate (Absolute Change)			0.5	6%

22 RELATED PARTY DISCLOSURE

The Commission's key management personnel compensation is as follows:	2024 \$'000	2023 \$'000
Short term employee benefits:		
Salaries	470	454
Other monetary allowances	-	-
Long term employee benefits:		
Termination benefits	-	-
Total Remuneration	470	454

The key management personnel and their compensation disclosure are limited to the key decision makers, i.e. Chief Executive Officer, and Board Members of the Commission. During the year, no transactions were entered into with key management personnel, their close family members and controlled or jointly controlled entities thereof.

Government-related entities

During the year, the Commission entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by the NSW Government. These transactions in aggregate are a significant portion of the Commission's rendering of services and receiving of services.

These transactions include:

- * Long Service Leave and Defined Benefit Superannuation assumed by the Crown
- * Transactions relating to the Treasury Banking System
- * Employer contributions paid to Defined Benefit Superannuation funds
- * Payments into the Treasury Managed Fund for workers' compensation insurance and other insurances
- * Significant transactions with the NSW Department of Communities and Justice
- * Occupancy agreement rental payments to Property and Development NSW.

23 EVENTS AFTER REPORTING PERIOD

No events have occurred subsequent to the reporting date, which will materially affect the financial statements.

END OF AUDITED FINANCIAL STATEMENTS