



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE DUTY LAWYER SERVICE
(incorporated in Hong Kong with liability limited by guarantee)**

Opinion

We have audited the financial statements of The Duty Lawyer Service ("the Service") set out on pages 1 to 28, which comprise the statement of financial position as at 31st March, 2020, and the statement of income and expenditure and other comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Service as at 31st March, 2020 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Service in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The council members are responsible for the other information. The other information comprises the information included in the Report of the Council, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE DUTY LAWYER SERVICE
(incorporated in Hong Kong with liability limited by guarantee)
(Continued)**

Council Members' responsibility for the financial statements

The council members are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the council member determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the council members are responsible for assessing the Service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the council members either intend to liquidate the Service or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Service's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE DUTY LAWYER SERVICE
(incorporated in Hong Kong with liability limited by guarantee)
(Continued)**

Auditor's responsibilities for the audit of the financial statements (Cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council members.
- Conclude on the appropriateness of the council members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Service's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Service to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Paul W. C. Ho & Company
Certified Public Accountants (Practising)

Hong Kong
27th July, 2020



**THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)**

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2020

	NOTES	2020 HK\$	2019 HK\$
NON-CURRENT ASSET			
Right-of-use-assets	3(i)/12	<u>417,374</u>	<u>--</u>
CURRENT ASSETS			
Accounts receivable			
- Care or Protection Proceedings Scheme	10/15(a)	381,541	462,989
Accounts receivable			
- Legal Assistance Scheme for Non-refoulement Claimants	10/16(a)	21,722,963	16,491,673
Accounts receivable			
- Free Legal Advice Scheme	10/17(a)	--	37,200
Other receivables	10	--	890,830
Deposits and prepayments	10	1,780,894	4,272,484
Fixed deposits with banks	18	49,898,000	33,406,711
Other bank balances and cash	18	<u>8,520,043</u>	<u>3,600,357</u>
		<u>82,303,441</u>	<u>59,162,244</u>
DEDUCT: CURRENT LIABILITIES			
Legal fee payable	11	311,623	4,276,477
Legal fee payable and accruals			
- Care or Protection Proceedings Scheme	11/15(a)	48,231	108,900
Legal fee payable and accruals			
- Legal Assistance Scheme for Non-refoulement Claimants	11/16(a)	2,428,748	2,433,058
Legal fee payable and accruals			
- Free Legal Advice Scheme	11/17(a)	--	37,200
Accounts payable and accruals	11	1,129,937	2,042,182
Accrued liabilities for untaken leave of employees	20	21,382,263	20,167,485
Lease liability	3(i)/14	<u>454,872</u>	<u>--</u>
		<u>25,755,674</u>	<u>29,065,302</u>
NET CURRENT ASSETS		<u>56,547,767</u>	<u>30,096,942</u>
TOTAL NET ASSETS		<u>56,965,141</u>	<u>30,096,942</u>
REPRESENTING:-			
RESERVES	13	<u>56,965,141</u>	<u>30,096,942</u>

The notes on pages 8 to 28 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Council on 27th July, 2020.

Yeung Man Chung, Charles
 Council Member

Hung Wan Shun, Stephen
 Council Member

Grace S. Wong
 Administrator



**THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)**

**STATEMENT OF INCOME AND EXPENDITURE
AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31ST MARCH, 2020

	NOTES	2020 HK\$	2019 HK\$
OPERATING INCOME	6	177,957,040	134,683,784
OTHER INCOME		<u>1,211,017</u>	<u>476,655</u>
TOTAL INCOME		179,168,057	135,160,439
LEGAL COSTS		(67,125,160)	(55,675,484)
ADMINISTRATIVE EXPENSES		<u>(74,707,535)</u>	<u>(70,107,821)</u>
SURPLUS FOR THE YEAR	7	37,335,362	9,377,134
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>--</u>	<u>--</u>
TOTAL COMPREHENSIVE SURPLUS FOR THE YEAR		<u><u>37,335,362</u></u>	<u><u>9,377,134</u></u>

The notes on pages 8 to 28 form an integral part of these financial statements.



**THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)**

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31ST MARCH, 2020

	Capital reserve HK\$	Revenue reserve HK\$	Government reserve HK\$	Total HK\$
At 1/4/2018	3,226,117	17,493,691	8,452,674	29,172,482
Surplus for the year	--	9,377,134	--	9,377,134
Amount transferred to recurrent subvention	--	--	(8,452,674)	(8,452,674)
At 31/3/2019 and 1/4/2019	3,226,117	26,870,825	--	30,096,942
Effect of adoption of HKFRS 16	--	(240,823)	--	(240,823)
At 1/4/2019, restated	3,226,117	26,630,002	--	29,856,119
Excess surplus transferred to Government reserve	--	(10,226,340)	10,226,340	--
Surplus for the year	--	6,807,772	30,527,590	37,335,362
Amount transferred to recurrent subvention	--	--	(10,226,340)	(10,226,340)
At 31/3/2020	<u>3,226,117</u>	<u>23,211,434</u>	<u>30,527,590</u>	<u>56,965,141</u>

The notes on pages 8 to 28 form an integral part of these financial statements.



**THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2020

	2020 HK\$	2019 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	37,335,362	9,377,134
Adjustments for:		
Amount transferred to recurrent subvention from Government reserve	(10,226,340)	(8,452,674)
Interest income	(1,190,149)	(443,102)
Depreciation of right-of-use assets	2,504,246	--
Interest on lease liability	21,661	--
	<u>28,444,780</u>	<u>481,358</u>
(Increase)/decrease in accounts receivable	(5,112,642)	1,733,273
Decrease/(increase) in other receivable	890,830	(890,830)
Decrease in deposits and prepayments	2,491,590	53,354
(Decrease)/increase in legal fee payable, accounts payable and accruals	(4,979,278)	202,461
Increase/(decrease) in accrued liabilities for untaken leave of employees	1,214,778	(436,381)
	<u>22,950,058</u>	<u>1,143,235</u>
CASH GENERATED FROM OPERATIONS		
Interest received	1,190,149	443,102
	<u>24,140,207</u>	<u>1,586,337</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease payment – Capital elements	(2,707,571)	--
Lease payment – Interest elements	(21,661)	--
	<u>(2,729,232)</u>	<u>--</u>
NET CASH FLOWS FROM FINANCING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,410,975	1,586,337
CASH AND CASH EQUIVALENTS AT 1/4/2019 (Note 18)	<u>37,007,068</u>	<u>35,420,731</u>
CASH AND CASH EQUIVALENTS AT 31/3/2020 (Note 18)	<u>58,418,043</u>	<u>37,007,068</u>

The notes on pages 8 to 28 form an integral part of these financial statements.



**THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

1. GENERAL INFORMATION

The Law Society Legal Advice and Duty Lawyer Schemes were incorporated in Hong Kong under the predecessor Hong Kong Companies Ordinance (Cap. 32) as The Duty Lawyer Service (the “Service”) on 17th August, 1993 as a company limited by guarantee and with no share capital. The registered office of the Service is located at Suites 808-809, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

The principal activities of the Service during the year were operation of the Duty Lawyer Scheme, the Free Legal Advice Scheme, the Tel-Law Scheme, the Care or Protection Scheme and the Legal Assistance Scheme for Non-refoulement Claimants.

The Service is fully subvented by the Hong Kong Special Administrative Region Government (“the Government”) and is independently managed and administered jointly by the Hong Kong Bar Association and the Law Society of Hong Kong through the Council of the Service.

**2. STATEMENT OF COMPLIANCE WITH
HONG KONG FINANCIAL REPORTING STANDARDS**

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), the collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong and requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Service is set out in Note 3.

In 2020, the Service has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1st April, 2019. A summary of the changes in accounting policies resulting from the Service’s application of these HKFRSs is set out in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in conformity with the principles applicable to a going concern as the Service is an organisation fully subvented by the Government.

The measurement basis used in preparing the financial statements is historical cost.



**THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Accounts receivable, other receivables, deposits and prepayments are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses, if any. At the end of each reporting period, the Service assesses whether there is any objective evidence that a receivable or group of receivables is impaired. The objective evidence includes observable data that the Service will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the statement of income and expenditure and other comprehensive income.

(c) ACCOUNTS PAYABLE, LEGAL FEE PAYABLE AND ACCRUALS

Accounts payable, legal fee payable and accruals are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting is immaterial, in which case they are stated at cost.

(d) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Service has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are stated at the present value of the expenditures expected to be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



**THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(e) **REVENUE AND OTHER INCOME RECOGNITION**

After the adoption of HKFRS 15, the Service recognises revenue from contracts with customers when (or as) the Service satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Service recognises as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained in accordance with HKFRS 15) that is allocated to that performance obligation. Further details of the Service's revenue and other income recognition policies are as follows:

- (i) Subvention income is recognised when the approval has been given by the Government and there is reasonable assurance that the subvention income will be received.
- (ii) Handling fee income arising from handling defendant cases are accounted for when the services are rendered.
- (iii) Interest income is recognised as it accrues using the effective interest method.

(f) **RELATED PARTIES**

- (i) A person, or a close member of that person's family, is related to the Service if that person:
 - (a) has control or joint control over the Service;
 - (b) has significant influence over the Service; or
 - (c) is a member of the key management personnel of the Service.
- (ii) An entity is related to the Service if any of the following conditions applies:
 - (a) The entity is a post-employment benefit plan for the benefit of employees of either the Service or an entity related to the Service.
 - (b) The entity is controlled or jointly controlled by a person identified in Note (3)(g)(i).
 - (c) A person identified in note (3)(g)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (d) The entity, or any member of a group of which it is a part, provides key management personnel services to the Service.



**THE DUTY LAWYER SERVICE
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) EMPLOYEE BENEFITS

Salaries, housing allowance, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Service. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(h) CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Service's cash management are included as a component of cash and cash equivalents.

(i) LEASES

After the adoption of HKFRS 16, when the Service acts as a lessee, the Service assesses at inception of a contract whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Service elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At the commencement date, the Service recognises a right-of-use asset and a lease liability for the rights and obligations created by all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases for which the underlying asset is of low value. The Service recognise the lease payments associated with those short-term leases and leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term.



**THE DUTY LAWYER SERVICE
(LIMITED BY GUARANTEE)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(i) **LEASES (CONT'D)**

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the asset as follows:

Property	4 years
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The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Service's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Service will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Service presents right-of-use assets that do not meet the definition of plant and equipment, and presents lease liabilities separately in the statement of financial position.

When the Service acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.



**THE DUTY LAWYER SERVICE
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(i) **LEASES (CONT'D)**

Before the adoption of HKFRS 16, a lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Service. All other leases are classified as operating leases.

Operating leases

Lessee

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised in the statement of financial position as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

Lessor

Leases where substantially all the risks and rewards of ownership of assets are not transferred to the lessee are accounted for as operating leases. Assets leased by the Service under operating leases are included in non-current assets and rental receivable under operating leases are credited to the income statement on a straight line basis over the lease terms.



THE DUTY LAWYER SERVICE (LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

4. CHANGES IN ACCOUNTING POLICIES

In 2020, the Service has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1st April, 2019 and are relevant to the Service's financial statements, including:

- HKFRS 16, Leases
- HK(IFRIC) 23, Uncertainty over income tax treatments

The effects of the application of these HKFRSs are summarised below.

HKFRS 16, Leases

Before 2020, the Service applied HKAS 17, *Leases* and its leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Service. Assets held under finance leases are recognised at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, and the corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases, which are presented as lease liabilities after the adoption of HKFRS 16. Depreciation and impairment loss are calculated and recognised. All other leases are classified as operating leases and lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

From 2020, after the adoption of HKFRS 16, which replaces HKAS 17 and the related interpretations, the Service adopts a single accounting model for leases, which requires the Service as a lessee to recognise a right-of-use asset and a lease liability for the rights and obligations created by all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases for which the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, the Service as a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Service is also required to have enhanced disclosures to give a basis for users of financial statements to assess the effect that leases have on its financial position, financial performance and cash flows.

The Service has applied the practical expedient in paragraph C3 of HKFRS 16 (i.e. the Service has not reassessed whether a contract was, or contained, a lease at 1st April, 2019). In particular, the Service applies HKFRS 16 to contracts that were previously identified as leases applying HKAS 17. Besides, the Service does not apply HKFRS 16 to contracts that were not previously identified as leases applying HKAS 17 and applies HKFRS 16 to contracts entered into or changed on or after 1st April, 2019.



**THE DUTY LAWYER SERVICE
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2020

4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

HKFRS 16, Leases (Cont'd)

The adoption of HKFRS 16 has resulted in changes in accounting policies. The Service has applied HKFRS 16 retrospectively and taken the transitional provisions in HKFRS 16 not to restate comparative information which continues to be reported under HKAS 17.

The Service has also elected to apply the following practical expedients in paragraph C10 of HKFRS 16 when applying HKFRS 16 retrospectively to leases previously classified as operating leases applying HKAS 17 in which the Service is the lessee:

- (i) A single discount rate is applied to a portfolio of leases with reasonably similar characteristics;
- (ii) Leases for which the lease term ends within 12 months of 1st April, 2019 are accounted for in the same way as short-term leases; and
- (iii) Initial direct costs are excluded from the measurement of the right-of-use assets at 1st April, 2019.

For leases previously classified as finance leases applying HKAS 17 in which the Service is the lessee, the carrying amount of the right-of-use asset and the lease liability at 1st April, 2019 shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying HKAS 17.

The adoption of HKFRS 16 gives rise to lease liabilities of HK\$3,162,443 (Note 14) and the corresponding right-of-use assets are recognised HK\$2,921,620 (Note 12) at 1st April, 2019. The weighted average incremental borrowing rate applied to the lease liabilities recognised at 1st April, 2019 is 5%. The adoption of HKFRS 16 does not have any material effects on the Service's financial performance and opening balance of equity.

There is no significant difference between the amount of the operating lease commitments disclosed applying HKAS 17 at 31st March, 2019, discounted using the incremental borrowing rate at 1st April, 2019 and the amount of lease liabilities recognised in the statement of financial position at 1st April, 2019.



**THE DUTY LAWYER SERVICE
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Service's management makes assumptions, estimates and judgements in the process of applying the Service's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

(a) Key assumption

Certain key assumptions and risk factors in respect of the financial risk management are set out in Note 22.

(b) Critical judgements in applying the Service's accounting policies

Certain critical judgements in applying the Service's accounting policies are set out as follows:

(i) Significant increase in credit risk

HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Service takes into account qualitative and quantitative reasonable and supportable forward looking information.

6. OPERATING INCOME

	2020 HK\$	2019 HK\$
Operating income represents recurrent subvention from the Government and handling fee income and is analysed as follows:		
Recurrent subvention	176,250,340	132,470,674
Handling fee income	<u>1,706,700</u>	<u>2,213,110</u>
	<u>177,957,040</u>	<u>134,683,784</u>



**THE DUTY LAWYER SERVICE
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

7. SURPLUS FOR THE YEAR

	2020 HK\$	2019 HK\$
Surplus for the year is arrived at after charging:		
Auditors' remuneration	80,000	80,000
Minimum lease payments on properties under operating leases	2,048,636	4,215,384
Less: Amount reimbursed by Legal Assistance Scheme for Non-refoulement Claimants (Note 16)	<u>(2,048,636)</u>	<u>(1,486,152)</u>
Amount charged to statement of income and expenditure and other comprehensive income	--	2,729,232
Employee benefit expenses:		
Contributions to defined contribution retirement plans	9,989,872	11,004,550
Less: Amount reimbursed by Legal Assistance Scheme for Non-refoulement Claimants (Note 16)	(2,685,451)	(4,086,483)
Amount reimbursed by C or P Scheme (Note 15)	<u>(500,951)</u>	<u>(441,844)</u>
Amount charged to statement of income and expenditure and other comprehensive income	6,803,470	6,476,223
Salaries, allowances and other employee benefits	83,845,058	95,290,844
Less: Amount reimbursed by Legal Assistance Scheme for Non-refoulement Claimants (Note 16)	(22,396,326)	(37,632,553)
Amount reimbursed by C or P Scheme (Note 15)	<u>(3,357,253)</u>	<u>(3,110,835)</u>
Amount charged to statement of income and expenditure and other comprehensive income	58,091,479	54,547,456
Net increase/(decrease) in accrued liabilities for untaken leave of employee	1,214,778	(436,381)
Depreciation of right-of-use assets	2,504,246	--
Interest on lease liability	<u>21,661</u>	<u>--</u>
and after crediting:-		
Interest income	<u>1,190,149</u>	<u>443,102</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

DISCLOSURE OF BENEFITS AND INTERESTS OF COUNCIL MEMBERS

8. **PURSUANT TO THE HONG KONG COMPANIES ORDINANCE**

(A) Council members' emoluments

Remuneration of the council members of the Service disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

	2020 HK\$	2019 HK\$
Fees and other emoluments	--	--

(B) Material interests of council members in transactions, arrangements or contracts

There were no transactions, arrangements or contracts of significance entered into or subsisted during the year to which the Service was a party and in which a council member of the Service had, directly or indirectly, a material interest.

9. **TAXATION**

The Service has been granted tax exemption under Section 88 of the Hong Kong Inland Revenue Ordinance. Accordingly, no provision for Hong Kong profits tax is required to be made.

10. **ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

Accounts receivable, other receivables, deposits and prepayments are expected to be recovered within one year and as the discounting effect will be immaterial, their carrying amounts are reasonable approximations of their fair values.

11. **ACCOUNTS PAYABLE, LEGAL FEE PAYABLE AND ACCRUALS**

Accounts payable, legal fee payable and accruals are due to be settled within one year and as the discounting effect will be immaterial, their carrying amounts are reasonable approximations of their fair values.



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12. RIGHT-OF-USE ASSETS

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Service recognises a right-of-use asset and a lease liability (Note 14) at the lease commencement date.

For an asset leased by the Service, the right-of-use asset is initially measured at cost (which comprises the initial measurement of lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received), and subsequently at cost less any accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Service has applied judgement to determine the lease term of some lease contracts which includes renewal options. The assessment of whether the Service is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Payments associated with short-term leases (ie, leases with a lease term of 12 months or less) and low value leases are recognised on a straight-line basis as an expense in the income statement. The Service has applied HKFRS 16 from 1st April, 2019. As permitted by the transitional provision of HKFRS 16, comparatives for 2019 were not restated. In the comparative period, leases where substantially all the rewards and risks of ownership of assets remained with the lessor were accounted for as operating leases. Operating lease rentals were recognised under operating expenses in the income statement on a straight-line basis over the lease term. Commitments under operating leases for future periods were not recognised as liabilities.

The movements of right-of-use asset was as follows:

	Property HK\$
As at 1 st April, 2019, upon adoption of HKFRS 16 [Note 4(a)]	2,921,620
Depreciation charge for the year	<u>(2,504,246)</u>
As at 31 st March, 2020	<u><u>417,374</u></u>

The Service leases a property through lease contract. The lease term ranges from four years with no extension or termination options and all the lease payments are fixed.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

13. **RESERVES**

	Capital reserve (Note a)	Revenue reserve (Note b) HK\$	Government reserve (Note c) HK\$	Total HK\$
At 1/4/2018	3,226,117	17,493,691	8,452,674	29,172,482
Surplus and total comprehensive surplus for the year	--	9,377,134	--	9,377,134
Amount transferred to recurrent subvention	--	--	(8,452,674)	(8,452,674)
At 31/3/2019 and 1/4/2019	3,226,117	26,870,825	--	30,096,942
Effect of adoption of HKFRS 16	--	(240,823)	--	(240,823)
At 1/4/2019, restated	3,226,117	26,630,002	--	29,856,119
Excess surplus transferred to Government reserve	--	(10,226,340)	10,226,340	--
Surplus and total comprehensive surplus for the year	--	6,807,772	30,527,590	37,335,362
Amount transferred to recurrent subvention	--	--	(10,226,340)	(10,226,340)
At 31/3/2020	<u>3,226,117</u>	<u>23,211,434</u>	<u>30,527,590</u>	<u>56,965,141</u>

Notes:

- (a) The Capital reserve represents the fair value of the net assets of The Law Society Legal Advice and Duty Lawyer Schemes which were transferred to the Service on the date of its incorporation for no consideration.
- (b) The Revenue reserve represents the accumulated surplus or deficit generated by the Service. The accumulated surplus is restricted to a maximum amount that can be carried by the Service in accordance with the terms of the Memorandum of Administrative Arrangements issued by the Government from time to time.
- (c) The Government reserve represents the excess surplus transferred from Revenue reserve and will be transferred to the subvention account as instructed by the Government.



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

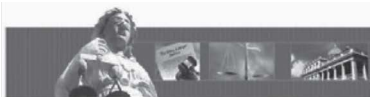
14. LEASE LIABILITIES

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Service recognises a right-of-use asset (Note 12) and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Generally, the lessee uses its incremental borrowing rate as the discount rate. The lease liability subsequently increases by the interest cost on the lease liability and is reduced by lease payments made. Each lease payment is allocated between the principal and interest expense.

	2020 HK\$	2019 HK\$
Total lease liabilities	<u>454,872</u>	<u>3,162,443</u>
Analysed as:		
Current portion	454,872	2,707,571
Non-current portion	<u>--</u>	<u>454,872</u>
	<u>454,872</u>	<u>3,162,443</u>

Some lease contracts include an option to renew for an additional period after the end of the initial contract term. Where practicable, the Service seeks to include in all leases such extension options exercisable by the Service to provide operational flexibility. The Service assesses at the lease commencement date the likelihood of exercising the extension options, and only include those reasonably certain to be exercised in the measurement of lease liabilities



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

LEGAL REPRESENTATION SCHEME FOR CHILDREN/

15. JUVENILES IN CARE OR PROTECTION PROCEEDINGS

- (a) The balances represent the receivable and payable on behalf of the Legal Representation Scheme for Children/Juveniles in Care or Protection Proceedings (“C or P Scheme”).
- (b) The Service received subvention from the Labour and Welfare Bureau of the Government and paid the related expenses on their behalf for the running of the C or P Scheme. The relevant subvention and expenditures for the year are as follows:

	2020 HK\$	2019 HK\$
Subvention – C or P Scheme	5,259,135	4,846,268
Capital expenditure	--	--
Personal emoluments	(3,858,204)	(3,552,679)
Legal costs and operating cost	<u>(1,400,931)</u>	<u>(1,293,589)</u>
	<u> --</u>	<u> --</u>

- (c) Apart from the above, the Labour and Welfare Bureau also paid an amount of HK\$371,717 (2019: HK\$284,068) to the Chief Secretary for Administration’s Office for their share of the common costs in operation of the C or P Scheme and the Service’s schemes subvented by the Chief Secretary for Administration’s Office.

16. LEGAL ASSISTANCE SCHEME FOR NON-REFOULEMENT CLAIMANTS

- (a) The balances represent the receivable and payable on behalf of the Legal Assistance Scheme for Non-refoulement Claimants.
- (b) The Service received subvention from the Chief Secretary for Administration’s Office of the Government and paid the related expenses on their behalf for the running of the Legal Assistance Scheme for Non-refoulement Claimants. The relevant subvention and expenditures for the year are as follows:

	2020 HK\$	2019 HK\$
Subvention		
–Legal Assistance Scheme for Non-refoulement Claimants	71,316,981	117,965,393
Personal emoluments	(25,081,777)	(41,719,036)
Legal costs and operating cost	<u>(46,235,204)</u>	<u>(76,246,357)</u>
	<u> --</u>	<u> --</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

17. **FREE LEGAL ADVICE SCHEME**

- (a) The balances represent the receivable and payable on behalf of the Free Legal Advice Scheme (“FLAS Scheme”).
- (b) The Service received volunteer lawyers allowances from the Chief Secretary for Administration’s Office of the Government and paid the allowances to the volunteer lawyers on their behalf for the running of the FLAS Scheme. The amount of allowances received and paid for the year are as follows:

	2020 HK\$	2019 HK\$
Reimbursement of volunteer lawyers allowances for the FLAS Scheme	661,500	443,700
Volunteer lawyers allowances	<u>(661,500)</u>	<u>(443,700)</u>
	<u> --</u>	<u> --</u>

18. **CASH AND CASH EQUIVALENTS**

	2020 HK\$	2019 HK\$
Fixed deposits with banks	49,898,000	33,406,711
Other bank balances and cash	<u>8,520,043</u>	<u>3,600,357</u>
	<u>58,418,043</u>	<u>37,007,068</u>



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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

19. FINANCIAL INSTRUMENTS

Exposure to currency, credit, liquidity and interest rate risks arises in the normal course of the Service's business. These risks are limited by the Service's financial management policies and practices described below:

(i) Foreign currency risk

The Service has no foreign currency risk as the Service has no significant foreign currency assets and liabilities at the end of the reporting period.

(ii) Credit risk

The Service's principal financial assets are fixed deposits, bank balances and accounts receivable.

The credit risk on liquid funds is limited because the counterparty is an authorised financial institution listed in the Hong Kong Stock Exchange and regulated under the Hong Kong Banking Ordinance.

The Service's credit risk is primarily attributable to its accounts receivable and the amount is stated in the statement of financial position.



**THE DUTY LAWYER SERVICE
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

19. **FINANCIAL INSTRUMENTS (CONT'D)**

(iii) Liquidity risk

The table below summarises the maturity profile of the Service's financial liabilities at the end of each reporting period based on contractual undiscounted payments.

	Within 1 year HK\$	2 nd to 5 th years HK\$	Total HK\$
2020			
Legal fee payable	311,623	--	311,623
Legal fee payable and accruals			
- Care or Protection Proceedings Scheme	48,231	--	48,231
Legal fee payable and accruals			
- Legal Assistance Scheme for Non-refoulement Claimants	2,428,748	--	2,428,748
Accounts payable and accruals	1,129,937	--	1,129,937
Accrued liabilities for untaken leave of employees	21,382,263	--	21,382,263
Lease liability	454,872	--	454,872
	<u>25,755,674</u>	<u>--</u>	<u>25,755,674</u>
2019			
Legal fee payable	4,276,477	--	4,276,477
Legal fee payable and accruals			
- Care or Protection Proceedings Scheme	108,900	--	108,900
Legal fee payable and accruals			
- Legal Assistance Scheme for Non-refoulement Claimants	2,433,058	--	2,433,058
Legal fee payable and accruals			
- Free Legal Advice Scheme	37,200	--	37,200
Accounts payable and accruals	2,042,182	--	2,042,182
Accrued liabilities for untaken leave of employees	20,167,485	--	20,167,485
	<u>29,065,302</u>	<u>--</u>	<u>29,065,302</u>



**THE DUTY LAWYER SERVICE
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

19. FINANCIAL INSTRUMENTS (CONT'D)

(iv) Interest rate risk

The Service's exposure to interest rate risk relates primarily to the Service's cash holdings. The Service manages its interest rate exposure on certain cash holdings through placing them into fixed rate savings accounts.

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Service's surplus (through the impact on cash in banks which earns interest at floating rates).

	Increase/ (decrease) in basis point	Increase/ (decrease) in surplus HK\$	Increase/ (decrease) in equity HK\$
2020 HKD	100/(100)	498,980/(498,980)	498,980/(498,980)
	Increase/ (decrease) in basis point	Increase/ (decrease) in surplus HK\$	Increase/ (decrease) in equity HK\$
2019 HKD	100/(100)	334,067/(334,067)	334,067/(334,067)

20. ACCRUED LIABILITIES FOR UNTAKEN LEAVE OF EMPLOYEES

	2020 HK\$	2019 HK\$
Accrued liabilities for untaken leave of employees	<u>21,382,263</u>	<u>20,167,485</u>

The accrued liabilities for untaken leave of employees is calculated with reference to the accumulated untaken leave entitled by the employees and based on the applicable salary and allowances and the amount of contributions payable to the defined contribution retirement plan.



**THE DUTY LAWYER SERVICE
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2020

21. OPERATING LEASE COMMITMENTS

From 1st April, 2019, the Service has recognised right-of-use assets for these leases, except for short term and low-value leases, see Note 4(a) for further information. At the end of the reporting period, the Service's total future minimum lease payments under non-cancellable operating lease are payable as follows:-

	2020 HK\$	2019 HK\$
Not later than one year	--	4,215,384
Later than one year and not later than five years	--	940,128
	--	5,155,512

22. RESERVES MANAGEMENT

The Duty Lawyer Service is an organisation fully subvented by the Government. The Service is a company with liability limited by guarantee and its capital structure comprises of all the reserves as detailed in Note (13) above.

The Service's primary objectives when managing reserves are to safeguard the Service's ability to continue as a going concern, so that it can continue to maintain the government subvented operations of the legal assistance schemes. The Governing Council of the Service meets regularly to oversee and direct the Service's operations generally, formulate and review existing policy so as to ensure that the Service effectively and efficiently operates these schemes.

As in prior years, the Service maintains the amount of reserves according to their designated purposes, which comprises of all capital reserve, revenue reserve and government reserve. According to the Memorandum of Administrative Arrangements between the Government and the Duty Lawyer Service, the total cumulative reserve carried by the Service shall not exceed fifteen percent (15%) of the approved annual recurrent subvention in that year. If at the end of a financial year the level of reserve exceeds the approved level, the excess amount will be, at the direction of the Government, netted off against the following year's subvention.

The reserves of the Service at 31st March, 2020 amounted to HK\$56,965,141 (2019: HK\$30,096,942). Movements of the reserves of the Service are detailed in Note (13) above.



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NOTES TO THE FINANCIAL STATEMENTS

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POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND

23. INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR

HKFRSs that have been issued but are not yet effective for the year include the following HKFRSs which may be relevant to the Service's operations and financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and 8, <i>Amendments to definition of material</i>	1 st January, 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9, <i>Amendments for Interest Rate Benchmark Reform</i>	1 st January, 2020

The Service has not early adopted these HKFRSs. The Service is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the Service's financial statements in the year of initial application.

24. SUMMARY ON OPERATING INCOME, SUBVENTION AND REIMBURSEMENT

	NOTES	2020 HK\$	2019 HK\$
Recurrent subvention	6	176,250,340	132,470,674
Handling fee income	6	1,706,700	2,213,110
Other income		1,211,017	476,655
Subvention – C or P Scheme	15	5,259,135	4,846,268
Subvention – Legal Assistance Scheme for Non-refoulement Claimants	16	71,316,981	117,965,393
Reimbursement of volunteer lawyers allowances for the FLAS Scheme	17	661,500	443,700
		<u>256,405,673</u>	<u>258,415,800</u>