

LEGISLATIVE

Parliament of New South Wales



Financial Performance

2015 - 2016

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Financial Commentary

Net result

The positive net result of \$21.581 million was lower than the budgeted positive net result of \$24.415 million by \$2.834 million. This arose from the following budget variations: higher employee related expenses (\$1.633 million); lower operating expenses (\$367,000); lower depreciation and amortisation expenses (\$974,000); lower other expenses - members' remuneration (\$1.425 million); higher grants and subsidies (\$89,000); lower revenue (\$3.872 million) and a higher loss on disposal of assets (\$6,000).

The employee related expenses were \$1.633 million higher than the budget of \$58.873 million. The primary reasons for the variation were:

- higher members' staff salaries and on-costs of \$1.354 million than included in original budget; and
- members' staff separation payments and redundancy payments to parliamentary staff \$279,000 higher than budget

Other operating expenses were lower than the budget of \$35.045 million by \$367,000 primarily due to the following expenditure items:

- electorate office rentals and outgoings \$353,000 under budget
- contract and legal fees \$339,000 under budget
- energy charges \$283,000 under budget
- printing and electronic communication allowance \$587,000 over budget

Other expenses - members' remuneration \$1.425 million lower than the budget of \$40.707 million was primarily due to Crown acceptance of Parliamentary Contribution Superannuation Scheme being \$1.101 million lower than the budget of \$1.421 million.

Depreciation and amortisation expenses were \$974,000 lower than the budget of \$10.562 million. This was mainly due to the revaluation of Parliament's building being finalised after the original budget estimates were prepared.

Revenue was \$3.872 million lower than the budget of \$169.716 million due to:

- a \$4.05 million lower capital appropriation drawdown due to the allocations for some capital projects carried forward to 2016-17
- Crown acceptance of employee benefits and liabilities being \$1.512 million lower than expected, offset by: sale of good and services being \$786,000 higher than budget principally from the sale of food and beverages; other revenue being \$631,000 higher than budget, consisting of \$467,000 for library collections recognised for first time and \$121,000 for workers' compensation hindsight adjustment; and grants received \$273,000 not in the budget with the main items being \$144,000 for redundancy grant and \$98,000 for a capital grant from the Department of Premier and Cabinet to cover cost of building alterations to accommodate Ministerial drivers and transport support staff

Assets and liabilities

Total current assets of \$8.936 million were higher than the budget of \$6.876 million by \$2.060 million primarily due to higher than budgeted cash holdings of \$1.921 million and higher receivables of \$130,000.

Total non-current assets of \$294.599 million were lower than the budget of \$297.798 million by \$3.199 million primarily due to \$4.05 million of Treasury-funded annual capital works being carried forward to 2016-17, offset by \$467,000 of library collections recognised first time in 2015-16.

Total liabilities of \$11.521 million were higher than the budget of \$11.045 million by \$476,000 due to higher payables of \$348,000 and higher employee provisions of \$128,000.

Cash flows

Net cash flows from operating activities were \$5.378 million lower than the budget of \$34.35 million due to the reduction in the capital appropriation of \$4.05 million, higher payments of employee related expenses of \$1.482 million and other expenses from operating activities of \$2.877 million. Offsetting these variances were increases in sales of goods and services of \$1.188 million and other receipts from operating activities of \$1.592 million.

Net cash flows from investing activities were \$3.917 million lower than the budget of \$29.692 million due to asset acquisitions being lower than the budget by \$3.916 million.

Outlook for the Parliament

The Parliament's budgeted net result for 2016-17 is a surplus of \$8.796 million. The favourable result arises because expected depreciation expenses are lower than capital appropriation of this amount for the financial year and a reduction in the Parliament's cash management contingency funding of \$1.131 million. The Appropriation includes recurrent funding of \$125.545 million with additional funding for:

- \$2.897 million to meet salary, other operating expense cost increases and compensation for the loss of interest income as part of the Cash Management Reforms being implemented by NSW Treasury
- \$1.566 million for additional Special Constables to improve security at the Parliament House precinct;
- \$871,000 for previously unfunded Parliamentary Remuneration Tribunal determination for Members' Entitlements
- \$502,000 for staffing and operating costs for two additional electorate offices

The Appropriation in 2016-17 includes capital funding of \$21.27 million consisting of:

1. \$9.303 million new major works capital works funding for:

- emergency generator for business continuity - \$4.050 million
- tower block membrane replacement - \$1.5 million
- ceiling and building services replacement - \$1 million
- education centre and level 6 modifications - \$996,000
- folding and inserting machines for electorate offices - \$938,000
- emergency ventilation compliance - \$819,000

2. \$11.968 funding for capital works in progress including:

- level 7 seminar space upgrade - \$2.242 million
- disabled access toilet upgrades - \$1.7 million
- online processing of members' claims entitlement (SAP) - \$1.494 million
- upgrade of the legislature's security systems - \$1.4 million
- historical building restoration - \$1.2 million
- lotus notes/domino replacement - \$700,000
- managed print services for electorate offices - \$130,000
- minor capital works - \$3.102 million



INDEPENDENT AUDITOR'S REPORT

The Legislature

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of The Legislature which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion the financial statements:

- give a true and fair view of the financial position of The Legislature as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of The Legislature in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The Clerks' and Executive Manager's Responsibility for the Financial Statements

The Clerk of the Legislative Assembly, the Clerk of the Parliaments and the Executive Manager, Parliamentary Services are responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as they determine is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Clerk of the Legislative Assembly, the Clerk of the Parliaments and the Executive Manager, Parliamentary Services must assess The Legislature's ability to continue as a going concern unless operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My 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
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that The Legislature carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Margaret Crawford
Auditor-General of NSW

19 September 2016
SYDNEY

Start of Audited Financial Statements

THE LEGISLATURE

Statement of comprehensive income for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	60,506	58,873	61,297
Other operating expenses	2(b)	34,678	35,045	36,217
Depreciation and amortisation	2(c)	9,588	10,562	7,516
Grants and subsidies	2(d)	203	114	180
Other expenses (Members' remuneration)	2(e)	39,282	40,707	37,901
Total Expenses excluding losses		144,257	145,301	143,111
Revenue				
Recurrent appropriation	3(a)	129,536	129,536	123,233
Capital appropriation	3(a)	25,642	29,692	19,109
Sale of goods and services	3(b)	6,493	5,707	6,163
Investment revenue	3(c)	-	-	148
Grants and contributions	3(d)	273	-	509
Acceptance by the Crown Entity of employee benefits and other liabilities	3(e)	3,031	4,543	3,461
Other revenue	3(f)	869	238	518
Total Revenue		165,844	169,716	153,141
Gain / (loss) on disposal	4	(6)	-	(516)
Net Result		21,581	24,415	9,514
Other comprehensive income				
<i>Items that will not be reclassified to net result</i>				
Net increase / (decrease) in property, plant and equipment revaluation surplus		-	-	63,342
Total other comprehensive income		-	-	63,342
TOTAL COMPREHENSIVE INCOME		21,581	24,415	72,856

The accompanying notes form part of these financial statements.

THE LEGISLATURE

Statement of financial position as at 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	7,106	5,185	3,909
Receivables	7	1,753	1,623	1,524
Inventories	8	77	68	86
Total Current Assets		8,936	6,876	5,519
Non-Current Assets				
Property, plant and equipment	9			
- Land and buildings		216,228	226,792	210,956
- Plant and equipment		20,776	14,208	13,655
- Collection assets		49,705	49,213	49,338
Total property, plant and equipment		286,709	290,213	273,949
Intangible assets	10	7,890	7,585	4,002
Total Non-Current Assets		294,599	297,798	277,951
Total Assets		303,535	304,674	283,470
LIABILITIES				
Current Liabilities				
Payables	12	6,062	5,714	6,781
Provisions	13	5,337	5,268	6,134
Total Current Liabilities		11,399	10,982	12,915
Non-Current Liabilities				
Provisions	13	122	63	122
Total Non-Current Liabilities		122	63	122
Total Liabilities		11,521	11,045	13,037
Net Assets		292,014	293,629	270,433
EQUITY				
Reserves		102,732	103,097	102,732
Accumulated funds		189,282	190,532	167,701
Total Equity		292,014	293,629	270,433

The accompanying notes form part of these financial statements.

THE LEGISLATURE

Statement of changes in equity for the year ended 30 June 2016

	Accumulated Funds	Asset Revaluation Surplus	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2015	167,701	102,732	270,433
Net result for the year	21,581	-	21,581
Other comprehensive income			
Net increase / (decrease) in property, plant and equipment	-	-	-
Transfers on disposal	-	-	-
Total other comprehensive income for the year	-	-	-
Total comprehensive income for the year	21,581	-	21,581
Balance at 30 June 2016	189,282	102,732	292,014
Balance at 1 July 2014	157,768	39,809	197,577
Net result for the year	9,514	-	9,514
Other comprehensive income			-
Net increase / (decrease) in property, plant and equipment	-	63,342	63,342
Transfers on disposal	419	(419)	-
Total other comprehensive income for the year	419	62,923	63,342
Total comprehensive income for the year	9,933	62,923	72,856
Balance at 30 June 2015	167,701	102,732	270,433

THE LEGISLATURE

Statement of cash flows for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(59,841)	(58,359)	(55,862)
Grants and subsidies		(203)	(114)	(180)
Other		(78,697)	(75,820)	(79,715)
Total Payments		(138,741)	(134,293)	(135,757)
Receipts				
Recurrent appropriation		129,536	129,536	123,233
Capital appropriation		25,642	29,692	19,109
Sale of goods and services		6,895	5,707	6,906
Interest received		67	-	160
Grants and contributions		273	-	509
Other		5,300	3,708	4,709
Total Receipts		167,713	168,643	154,626
NET CASH FLOWS FROM OPERATING ACTIVITIES	17	28,972	34,350	18,869
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of land and buildings, plant and equipment		1	-	10
Purchases of land and buildings, plant and equipment		(20,624)	(24,709)	(16,691)
Purchases of intangibles		(5,152)	(4,983)	(2,497)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(25,775)	(29,692)	(19,178)
NET INCREASE / (DECREASE) IN CASH		3,197	4,658	(309)
Opening cash and cash equivalents		3,909	527	4,218
CLOSING CASH AND CASH EQUIVALENTS	6	7,106	5,185	3,909

The accompanying notes form part of these financial statements.

THE LEGISLATURE

Supplementary Financial Statements

Service group statements for the year ended 30 June 2016

	Chamber and Committee Support *		Members' Support *		Community Access *		Not Attributable		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
THE LEGISLATURE'S EXPENSES & INCOME										
Expenses excluding losses										
Operating expenses										
· Employee related	9,003	8,490	47,764	49,270	3,739	3,537	-	-	60,506	61,297
· Other operating expenses	5,160	5,016	27,375	29,111	2,143	2,090	-	-	34,678	36,217
Depreciation and amortisation	1,427	1,041	7,568	6,041	593	434	-	-	9,588	7,516
Grants and subsidies	30	25	160	145	13	10	-	-	203	160
Other expenses (Members' remuneration)	5,845	5,249	31,009	30,465	2,428	2,187	-	-	39,282	37,901
Total expenses excluding losses	21,465	19,821	113,876	115,032	8,916	8,258	-	-	144,257	143,111
Revenue **										
Recurrent appropriation	-	-	-	-	-	-	129,536	123,233	129,536	123,233
Capital appropriation	-	-	-	-	-	-	25,642	19,109	25,642	19,109
Sale of goods and services	297	404	3,514	3,427	2,682	2,332	-	-	6,493	6,163
Investment revenue	-	10	-	82	-	56	-	-	-	148
Grants and contributions	12	33	148	283	113	193	-	-	273	509
Acceptance by the Crown Entity of employee benefits and other liabilities	139	227	1,640	1,924	1,252	1,310	-	-	3,031	3,461
Other revenue	40	34	470	288	359	196	-	-	869	518
Total revenue	488	708	5,772	6,004	4,406	4,087	155,178	142,342	165,844	153,141
Gain / (loss) on disposal	(1)	(71)	(5)	(415)	-	(30)	-	-	(6)	(516)
Net Result	(20,978)	(19,184)	(108,109)	(109,443)	(4,510)	(4,201)	155,178	142,342	21,581	9,514
Other Comprehensive Income										
Increase / (decrease) in revaluation surplus	-	4,149	-	35,224	-	23,969	-	-	-	63,342
Total Other Comprehensive Income	-	4,149	-	35,224	-	23,969	-	-	-	63,342
TOTAL COMPREHENSIVE INCOME	(20,978)	(15,035)	(108,109)	(74,219)	(4,510)	(19,768)	155,178	142,342	21,581	72,856

* The names and purposes of each program are summarised in note 5.

**Appropriations are made on an entity basis and not to individual service groups. Consequently, appropriations must be included in the "Not Attributable" column.

THE LEGISLATURE

Supplementary Financial Statements

Service group statements (continued)

	Chamber and Committee Support *		Members' Support *		Community Access *		Not Attributable		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
THE LEGISLATURE'S ASSETS & LIABILITIES										
Current Assets										
Cash and cash equivalents	1,057	541	5,610	3,142	439	226	-	-	7,106	3,909
Receivables	261	211	1,384	1,225	108	88	-	-	1,753	1,524
Inventories	11	12	61	69	5	5	-	-	77	86
Total current assets	1,329	764	7,055	4,436	552	319	-	-	8,936	5,519
Non-current Assets										
Property, plant and equipment	42,662	37,942	226,328	220,200	17,719	15,807	-	-	286,709	273,949
Intangible assets	1,174	554	6,228	3,217	488	231	-	-	7,890	4,002
Total non-current assets	43,836	38,496	232,556	223,417	18,207	16,038	-	-	294,599	277,951
TOTAL ASSETS	45,165	39,260	239,611	227,853	18,759	16,357	-	-	303,535	283,470
Current liabilities										
Payables	902	939	4,785	5,451	375	391	-	-	6,062	6,781
Provisions	794	850	4,213	4,930	330	354	-	-	5,337	6,134
Total current liabilities	1,696	1,789	8,998	10,381	705	745	-	-	11,399	12,915
Non-current liabilities										
Provisions	18	17	96	98	8	7	-	-	122	122
Total non-current liabilities	18	17	96	98	8	7	-	-	122	122
TOTAL LIABILITIES	1,714	1,806	9,094	10,479	713	752	-	-	11,521	13,037
NET ASSETS	43,451	37,454	230,517	217,374	18,046	15,605	-	-	292,014	270,433

* The names and purposes of each service group are summarised in Note 5.

THE LEGISLATURE

Supplementary Financial Statements

Summary of compliance with financial directives

for the year ended 30 June 2016

	2016			2015			
	RECURRENT APP'N \$'000	EXPENDITURE / NET CLAIM ON CONSOLIDATED FUND \$'000	CAPITAL APP'N \$'000	RECURRENT APP'N \$'000	EXPENDITURE / NET CLAIM ON CONSOLIDATED FUND \$'000	CAPITAL APP'N \$'000	EXPENDITURE / NET CLAIM ON CONSOLIDATED FUND \$'000
ORIGINAL BUDGET APPROPRIATION / EXPENDITURE · Appropriation Act	129,536	129,536	29,692	123,233	123,233	22,650	19,109
OTHER APPROPRIATIONS / EXPENDITURE · Transfers to / from another entity (per section 32 of the Appropriation Act)	-	-	-	-	-	-	-
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	129,536	129,536	29,692	123,233	123,233	22,650	19,109
Amount drawn down against Appropriation Liability to Consolidated Fund*		129,536			123,233		19,109

The Summary of Compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

*The Liability to Consolidated Fund represents the difference between the "Amount drawn down against Appropriation" and the "Expenditure / Net Claim on Consolidated Fund".

Notes to and forming part of the
Financial Statements for the year ended
30 June 2016

Summary of significant accounting policies

a. Reporting entity

The Legislature, as a reporting entity, comprises all the operating activities of the Parliament of New South Wales, including the Catering business, under the joint direction and control of the Clerk of the Parliaments, the Clerk of the Legislative Assembly and the Executive Manager Parliamentary Services. It includes all the functions of parliamentary representation undertaken by the Legislative Council and the Legislative Assembly, and the Department of Parliamentary Services. The Catering business provides food and beverage services for Members of Parliament, their guests and staff. It also caters for functions held at Parliament House.

The Legislature is a not-for-profit entity (as profit is not its principal objective) and has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

These financial statements for the year ended 30 June 2016 have been authorised for issue by the Clerk of the Legislative Assembly, the Clerk of the Parliaments and the Executive Manager Parliamentary Services on 16 September 2016.

b. Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* (PFAA) and *Public Finance and Audit Regulation 2015*, and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities, or issued by the Treasurer

The Legislature is 'going concern' public sector entity. Parliamentary appropriation has been provided in the NSW Budget Papers for 2015-2016 for drawdown on an 'as need' basis from

the Crown Entity to meet The Legislature's case requirements.

Property, plant and equipment are measured at fair value. 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 one thousand dollars and are expressed in Australian currency.

c. Statement of compliance

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

d. Insurance

The Legislature'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 claim experience.

e. 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 Legislature 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
- 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. The GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Comments regarding the accounting policies for the recognition of income are discussed below.

i. Parliamentary appropriations and contributions

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are recognised as income when The Legislature obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash. Unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent money must be repaid to the Consolidated Fund.

ii. Sales of goods

Revenue from the sale of goods is recognised as revenue when The Legislature transfers the significant risks and rewards of ownership of the assets.

iii. Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

iv. Investment revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement. Rental revenue from operating leases is recognised in accordance with AASB 117 Leases on a straight-line basis over the lease term.

e. Assets

i. Acquisitions of assets

Assets acquired are initially recognised at cost. 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 Australian Accounting Standards.

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

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. the deferred payment amount is effectively discounted over the period of the credit.

ii. Capitalisation of thresholds

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

iii. Revaluation of Property, 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 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement,

AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

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.

Fair value of property, plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer Note 9 and Note 11 for further information regarding fair value.

Revaluations shall be made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Legislature conducts a comprehensive revaluation at least every three years for its land and buildings where the market or income approach is most appropriate valuation technique and at least every five years for other classes of property, plant and equipment. The last comprehensive revaluation was completed for each class of asset set out below and was based on an independent assessment.

Land	Apr 2015	LPI Valuation
Buildings	Apr 2015	D P Martin Pty Ltd
Collection Assets		
Library Collection	Apr 2015	Peter Tinslay Valuer
Archives Collection	Apr 2015	Peter Tinslay Valuer
Antiques	Apr 2015	Christies Australia
Artworks	Apr 2015	Stella Downer Sue Hewitt

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value.

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

When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation surplus in respect of the same class of assets, they are debited directly to the revaluation

surplus.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

iv. Impairment of Property, 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 property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in the rare circumstances such as where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

v. Depreciation of Property, Plant and Equipment

Except for the archive, antique and artwork collections, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to The Legislature.

All material separately identifiable components of assets are depreciated over their useful lives.

Land is not a depreciable asset. Certain heritage assets including original artworks and collections and heritage buildings may not have a limited useful life because

appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. The decision not to recognise depreciation for these assets is reviewed annually.

The depreciation rates applied during 2015-16, which are determined based on valuers' assessments and The Legislature's capital replacement plans, are listed in the table below.

Parliament House	1.25-3.33 percent
Plant and machinery	5-25 percent
Office equipment	5-33.33 percent
Computer equipment	16.67-33.33 percent
Library - dewey collection, serials, government publications and other books recently valued	2 percent

vi. Major inspection costs

When each major inspection is performed, the labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria are satisfied.

vii. Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

viii. Maintenance

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.

ix. Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases

under which the lessor effectively retains all such risks and rewards.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value or, if lower, the present value of the minimum lease payments at the inception of the lease. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

x. Intangible assets

The Legislature recognises intangible assets only if it is probable that future economic benefits will flow to The Legislature 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.

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.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for The Legislature's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

The Legislature's intangible assets are amortised using the straight line method over a period of three 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 recognised as an impairment loss.

xi. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

xii. Inventories

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the "first in first out" method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

xiii. Impairment of financial assets

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that The Legislature will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

When an available for sale financial asset is impaired, the amount of the cumulative loss is removed from equity and recognised in the net result for the year, based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument classified as "available for sale" which must be made through the revaluation surplus. Reversals of impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

xiv. 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 Legislature transfers the financial asset:

- where substantially all the risks and rewards have been transferred or
- where The Legislature has not transferred substantially all the risks and rewards, if The Legislature has not retained control.

Where The Legislature has neither transferred nor retained substantially all the risks and rewards, or transferred

control, the asset is recognised to the extent of The Legislature's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

h. Liabilities

i. Payables

These amounts represent liabilities for goods and services provided to The Legislature and other amounts as detailed in Note 12. Payables are recognised initially at fair value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

ii. Employee benefits and other provisions

a. Salaries and wages, annual leave, sick leave and on-costs

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 NSW Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using

7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Legislature has assessed the actuarial advice based on its circumstances and has determined that the effect of discounting is immaterial to annual leave.

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.

b. Long service leave and superannuation

The Legislature's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Legislature 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 present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSW Treasury Circular 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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.

c. Consequential on-costs

Consequential 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.

i. Other provisions

Other provisions exist when: The Legislature 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.

j. Fair value hierarchy

A number of The Legislature's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, The Legislature categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted prices in active markets for identical assets / liabilities that The Legislature can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
- Level 3 - inputs that are not based on observable market data (unobservable inputs)

The Legislature recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer Note 11 and Note 18 for further disclosures regarding fair value measurements of financial and non-financial assets.

k. Equity and reserves

- Revaluation surplus

The revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. This accords with The Legislature's policy on the revaluation of property, plant and equipment as discussed in note 1(g)(iii).

- Accumulated funds

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

l. Budgeted amounts

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 on the primary financial statements are explained in Note 16.

m. Comparative information

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

n. Changes in accounting policy, including new or revised Australian Accounting Standards

- i. Effective for the first time in 2015-2016

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of the early adoption of AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. The impact of this Standard is that The Legislature is no longer required to disclose quantitative information about the significant unobservable inputs, sensitive analysis etc in Note 11(b).

- ii. Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. A number of new Accounting Standards have not been applied and are not yet effective, these amended Standards apply to annual reporting periods beginning on or after 1 July 2016.

The possible impact of these Standards in the period of initial application is unlikely to result in a material adjustment, except for the application of AASB 124 Related Party Disclosures, where The Legislature will be required to identify its related parties, transactions and outstanding balances with them and key management personnel compensation.

2. Expenses Excluding Losses

(a) Employee Related Expenses

	2016	2015
	\$'000	\$'000
Salaries and wages (including annual leave)	50,298	50,758
Superannuation – defined benefit plans	798	687
Superannuation – defined contribution plans	4,197	4,019
Payroll tax and fringe benefits tax	3,104	3,125
Long service leave	1,864	2,348
Workers' compensation insurance	245	360
	60,506	61,297

Employee related expenses excluded from the above are: (i) capitalised as property, plant and equipment - \$465,000 at 30 June 2016 (\$367,000 in 2014-15); and (ii) capitalised as intangible assets - \$76,000 at 30 June 2016 (\$36,000 in 2014-15).

(b) Other Operating Expenses including the following:

	2016	2015
	\$'000	\$'000
Auditors remuneration		
– audit of the financial statements	75	73
– audit of Members' additional entitlements under Parliamentary Remuneration Tribunal Determination	51	51
Cost of Sales - House Committee	1,336	1,260
Operating lease rental expense-minimum lease payments	5,489	5,475
Maintenance	1,579	1,729
Insurance	266	275
Contractors	6,344	6,010
Printing and stationery	7,235	7,705
Telecommunication costs	885	847
Travel expenses	2,133	2,060
Computer costs	2,615	3,062
Stores	171	218
Postage	863	1,801
Advertising	471	393
Energy charges	1,394	1,610
Cleaning and laundry	820	855
Contract and other fees	1,759	1,731
Other	1,192	1,062
	34,678	36,217
<i>Reconciliation – Total maintenance</i>		
Maintenance expense – contracted labour and other (non-employee related), as above	1,579	1,729
Employee related maintenance expense included in Note 2 (a)	756	669
Total maintenance expenses included in Note 2(a) + 2(b)	2,335	2,398

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

(c) Depreciation and Amortisation Expense

	2016	2015
	\$'000	\$'000
Depreciation:		
– buildings	6,066	2,891
– plant and equipment	2,039	3,186
– collection assets	102	101
	8,207	6,178
Amortisation:		
– intangibles	1,381	1,338
	1,381	1,338
Total Depreciation and Amortisation Expense	9,588	7,516

(d) Grants and Subsidies

	2016	2015
	\$'000	\$'000
Grant to Commonwealth Parliamentary Association (NSW Branch)	203	180
	203	180

(e) Other Expenses – (Members' Remuneration)

	2016	2015
	\$'000	\$'000
Salaries and allowances of Members of Parliament	34,819	33,471
Superannuation entitlements – Members	2,417	2,426
Payroll tax and fringe benefits tax – Members' entitlements	2,046	2,004
	39,282	37,901

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

3. Revenue

(a) Appropriations

	2016	2015
	\$'000	\$'000
Recurrent appropriations		
Total recurrent draw-downs from NSW Treasury (per Summary of Compliance)	129,536	123,233
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	-
	129,536	123,233

Comprising:

Recurrent appropriations (per Statement of Comprehensive Income)	129,536	123,233
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Capital Appropriations

Total capital draw-downs from NSW Treasury (per Summary of Compliance)	25,642	19,109
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	-
	25,642	19,109

Comprising:

Capital appropriations (per Statement of Comprehensive Income)	25,642	19,109
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(b) Sale of Goods and Services

	2016	2015
	\$'000	\$'000
<u>Sale of Goods</u>		
Sales of food and beverages	4,011	3,622
Sale of publications	7	12
	4,018	3,634

Rendering of Services

Energy recoup from Sydney Hospital and State Library	439	569
Rent on Parliament House ministerial offices	1,610	1,563
Parking fees	426	397
	2,475	2,529
	6,493	6,163

(c) Investment Revenue

	2016	2015
	\$'000	\$'000
Interest revenue on operating accounts	-	148
	-	148

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

(d) Grants and Contributions

	2016	2015
	\$'000	\$'000
NSW Department of Premier and Cabinet capital grant	98	115
Art competition sponsorship	20	45
Commonwealth Women Parliamentarians sponsorship	1	10
Photographic competition sponsorship	10	-
NSW Treasury redundancy grant	144	-
Centenary of ANZAC exhibition sponsorship	-	30
Twinning Project - Pacific Public Sector Linkages Program	-	309
	<u>273</u>	<u>509</u>

The NSW Parliament is twinned with the Parliaments of the Solomon Islands and the Autonomous Region of Bougainville, under the auspices of the Commonwealth Parliamentary Association. The NSW Parliament sought and received funding from AusAID to support the twinning arrangements. AusAid approved a new project that commenced in July 2013. The new project is funded to June 2016 (total project cost estimated at \$1.08 million, with \$769,532 from AusAid). The last grant from AusAid was received and recognised in 2014-15 and has been fully expended this year. The focus remains the strengthening of parliamentary democracy by building the capacity of the parliamentary administration.

(e) Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

The following liabilities and /or expenses have been assumed by the Crown Entity:

	2016	2015
	\$'000	\$'000
Employees		
Superannuation – defined benefit	798	687
Long service leave	1,857	2,138
Payroll tax on superannuation	40	34
	<u>2,695</u>	<u>2,859</u>
Members		
Superannuation – defined benefit	319	571
Payroll tax on superannuation	17	31
	<u>336</u>	<u>602</u>
	<u>3,031</u>	<u>3,461</u>

(f) Other Revenue

	2016	2015
	\$'000	\$'000
Assets recognised for first time	467	123
Conference seminar fees	138	121
Workers' compensation hindsight adjustment	121	103
Televising Parliament expenditure recoupment	43	45
Telecommunication tower rental	44	49
Miscellaneous items	56	77
	<u>869</u>	<u>518</u>

4. *Gain / (Loss) on Disposal*

	2016	2015
	\$'000	\$'000
Proceeds from disposal	1	10
Written down value of assets disposed	(7)	(526)
Net gain/(loss) on disposal of plant and equipment	<u>(6)</u>	<u>(516)</u>

5. *Service Groups of The Legislature*

Service Group 1.1 Chamber and Committee Support

Service Description:

This service group covers procedural support (specialist advice, information and research services to Members); chamber support (operational support for the chambers to carry out their business); committee support (the provision of a secretariat for each committee, the provision of advice and information on its operation and on its enquiry and the provision of mechanisms to allow for public consultation) and Parliamentary reporting (Hansard services to the Houses and to committees).

Linkage to Results: This service group contributes to the Parliament of New South Wales fulfilling its role as a representative and legislative body by working towards a range of intermediate results that include the effective functioning of the Parliament and its committees and supporting Members of Parliament to fulfil their Parliamentary roles.

Service Group 1.2 Members' Support

Service Description:

This service group covers Members' services (the provision of human resources services to Members and the administration of Members' entitlements), facilities management (maintenance of Members' offices, the Parliament House building and associated services such as security, catering, building services) financial services and information services. With regard to the Legislative Assembly Members, it includes management of electorate offices lease, fitout and maintenance of equipment and amenities.

Linkage to Results: This service group contributes to the Parliament of New South Wales fulfilling its role as a representative and legislative body by working towards a range of intermediate results that include the effective functioning of the Parliament and its committees and supporting Members of Parliament to fulfil their Parliamentary roles.

Service Group 1.3 Community Access

Service Description:

This service group covers community education services such as school tours, visitor tours and open days and education in service sessions for teachers; exhibition services (historical displays, art exhibitions, expositions); public events and functions, particularly utilising the building's function rooms; web streaming of the proceedings in both Houses and Members' newsletters to constituents.

Linkage to Results: This service group contributes to the Parliament of New South Wales fulfilling its role as a representative and legislative body by working towards the intermediate result of Community access and awareness of the role and functions of the Parliament.

6. Current Assets – Cash and Cash Equivalents

	2016	2015
	\$'000	\$'000
Cash at bank and on hand	7,106	3,909
	<u>7,106</u>	<u>3,909</u>

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank and cash on hand.

Cash and cash equivalents assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

Cash and cash equivalents (per Statement of Financial Position)	7,106	3,909
Closing Cash and cash equivalents (per Statement of Cash Flows)	7,106	3,909

Refer to Note 18 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

7. Current Assets - Receivables

	2016	2015
	\$'000	\$'000
Sales of goods and services	372	449
Less: Allowance for impairment	-	-
	<u>372</u>	<u>449</u>
GST recoverable from ATO	1,071	745
Other debtors	60	47
Prepayments	250	216
Investment income	-	67
	<u>1,753</u>	<u>1,524</u>

Movement in the allowance for impairment

Balance at 1 July	-	3
Amounts written off during the year	-	-
Amounts recovered during the year	-	(3)
Increase in allowance recognised in profit or loss	-	-
Balance at 30 June	<u>-</u>	<u>-</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 18.

8. Current Assets - Inventories

	2016	2015
	\$'000	\$'000
Held for resale		
Food and beverage stock at cost	62	75
Souvenirs at cost	15	11
	<u>77</u>	<u>86</u>

9. Non-Current Assets – Property, Plant and Equipment

	Land and Buildings \$'000	Plant and Equipment \$'000	Collection Assets \$'000	Total \$'000
At 1 July 2015 – fair value				
Gross carrying amount	331,255	35,914	49,453	416,622
Accumulated depreciation and Impairment	(120,299)	(22,259)	(115)	(142,673)
Net carrying amount	<u>210,956</u>	<u>13,655</u>	<u>49,338</u>	<u>273,949</u>
At 30 June 2016 – fair value				
Gross carrying amount	342,593	43,609	49,922	436,124
Accumulated depreciation and Impairment	(126,365)	(22,833)	(217)	(149,415)
Net carrying amount	<u>216,228</u>	<u>20,776</u>	<u>49,705</u>	<u>286,709</u>

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

	Land and Buildings \$'000	Plant and Equipment \$'000	Collection Assets \$'000	Total \$'000
Year ended 30 June 2016				
Net carrying amount at start of year	210,956	13,655	49,338	273,949
Additions	11,338	9,280	6	20,624
Assets first time recognised			467	467
Reclassification to intangibles		(117)		(117)
Disposals	-	(3)	(4)	(7)
Depreciation expense	(6,066)	(2,039)	(102)	(8,207)
Net carrying amount at end of year	<u>216,228</u>	<u>20,776</u>	<u>49,705</u>	<u>286,709</u>

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 11.

	Land and Buildings \$'000	Plant and Equipment \$'000	Collection Assets \$'000	Total \$'000
At 1 July 2014 – fair value				
Gross carrying amount	201,370	55,642	48,922	305,934
Accumulated depreciation and impairment	(62,670)	(42,404)	(18)	(105,092)
Net carrying amount	138,700	13,238	48,904	200,842
At 30 June 2015 – fair value				
Gross carrying amount	331,255	35,914	49,453	416,622
Accumulated depreciation and impairment	(120,299)	(22,259)	(115)	(142,673)
Net carrying amount	210,956	13,655	49,338	273,949

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below.

	Land and Buildings \$'000	Plant and Equipment \$'000	Collection Assets \$'000	Total \$'000
Year ended 30 June 2015				
Net carrying amount at start of year	138,700	13,238	48,904	200,842
Additions	6,921	9,761	132	16,814
Disposals	-	(3)	(521)	(524)
Net revaluation increments less revaluation decrements	62,418	-	924	63,342
Reclassification to buildings	5,808	(5,808)	-	-
Reclassification to intangibles	-	(347)	-	(347)
Depreciation expense	(2,891)	(3,186)	(101)	(6,178)
Net carrying amount at end of year	210,956	13,655	49,338	273,949

10. Intangible Assets

Software licensing and upgrade

At 1 July 2015	\$'000
Cost (gross carrying amount)	8,771
Accumulated amortisation and impairment	<u>(4,769)</u>
Net carrying amount	<u>4,002</u>

At 30 June 2016	
Cost (gross carrying amount)	13,522
Accumulated amortisation and impairment	<u>(5,632)</u>
Net carrying amount	<u>7,890</u>

Reconciliation

Year ended 30 June 2016	
Net carrying amount at start of year	4,002
Additions (acquired separately)	5,152
Reclassification to intangibles	117
Amortisation (recognised in depreciation and amortisation)	<u>(1,381)</u>
Net carrying amount at end of year	<u>7,890</u>

At 1 July 2014	\$'000
Cost (gross carrying amount)	6,633
Accumulated amortisation and impairment	<u>(4,135)</u>
Net carrying amount	<u>2,498</u>

At 30 June 2015	
Cost (gross carrying amount)	8,771
Accumulated amortisation and impairment	<u>(4,769)</u>
Net carrying amount	<u>4,002</u>

Reconciliation

Year ended 30 June 2015	
Net carrying amount at start of year	2,498
Additions (acquired separately)	2,497
Reclassifications from property, plant and equipment	347
Disposal	(2)
Amortisation (recognised in depreciation and amortisation)	<u>(1,338)</u>
Net carrying amount at end of year	<u>4,002</u>

11. Fair Value Measurement of Non-Financial Assets

(a) Fair Value Hierarchy

2016

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment (Note 9)				
Land	-	-	52,200	52,200
Buildings	-	-	164,028	164,028
Collection assets	-	49,705	-	49,705
	-	49,705	216,228	265,933

2015

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment (Note 9)				
Land	-	-	52,200	52,200
Buildings	-	-	158,756	158,756
Collection assets	-	49,338	-	49,338
	-	49,338	210,956	260,294

There were no transfers between Level 1 or 2 during the period. The figures for buildings for 2014-15 in the above table were amended to include capital works not yet subject to revaluation.

(b) Valuation Techniques, Inputs and Processes

Land

The fair value of the land under the Parliament of NSW building complex has been independently determined using market evidence with consideration made for condition, location, comparability, heritage classification and floor space area.

Buildings

The fair value of the Parliament of NSW building complex has been independently determined based on replacement cost and measured at depreciated replacement cost.

Collection Assets

The fair values of the archives, library collections, artworks and antiques are independently determined by reference to the best available market evidence. This is based on the current market price of like or similar items.

The input for the valuation was obtained by research of records of Australian and international sales, purchases and other forms of acquisition, knowledge of prices paid by other institutions and valuation experiences at other major institutions.

(c) Reconciliation of recurring Level 3 fair value measurements

2016	Land	Buildings	Plant and Equipment	Total Recurring Level 3 Fair value
	\$'000	\$'000	\$'000	\$'000
Fair value as at 1 July 2015	52,200	158,756	-	210,956
Additions	-	11,338	-	11,338
Depreciation	-	(6,066)	-	(6,066)
Fair value as at 30 June 2016	52,200	164,028	-	216,228

2015	Land	Buildings	Plant and Equipment	Total Recurring Level 3 Fair value
	\$'000	\$'000	\$'000	\$'000
Fair value as at 1 July 2014	49,400	89,300	8,488	147,188
Additions	-	6,921	-	6,921
Revaluation increments	2,800	59,618	-	62,418
Reclassifications	-	5,808	(8,488)	(2,680)
Depreciation	-	(2,891)	-	(2,891)
Fair value as at 30 June 2015	52,200	158,756	-	210,956

The figures for buildings for 2014-15 in the above table were amended to include capital works not yet subject to revaluation.

12. Current Liabilities - Payables

	2016	2015
	\$'000	\$'000
Accrued salaries, wages and on-costs	2,146	3,715
Trade creditors	1,531	1,164
Accrued operating expenses	2,295	1,800
Other payables	90	102
	6,062	6,781

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 18.

13. Current / Non- Current Liabilities – Provisions

	2016	2015
	\$'000	\$'000
Employee benefits and related on-costs – Current		
Annual leave	3,290	3,315
Leave loading	173	163
Separation payment for Members' staff	-	791
Payroll tax on-costs	721	719
Annual leave, superannuation and workers' compensation on-costs	1,153	1,146
	5,337	6,134
Employee benefits and related on-costs – Non - Current		
Payroll tax on-costs	46	46
Annual leave, superannuation and workers' compensation on-costs	76	76
	122	122
Subtotal Employee benefits and related on-costs	5,459	6,256
Aggregate employee benefits and related on-costs		
Provisions – Current	5,337	6,134
Provisions - Non-Current	122	122
Accrued salaries, wages and on-costs (note 12)	2,141	3,715
	7,600	9,971

Of employee benefits for annual leave \$3.773M (2015 \$3.580M) is expected to be settled within twelve months and \$0.154M (2015 \$0.360M) is expected to be settled after twelve months. All accrued wages and salaries are expected to be settled within twelve months.

14. Commitments for expenditure**(a) Operating Lease Commitments**

	2016	2015
	\$'000	\$'000
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	4,741	3,441
Later than one year but not later than five years	9,133	2,739
Later than five years	457	251
Total (including GST)	14,331	6,431

The Legislature is the lessee of 97 properties throughout NSW, all 97 being electorate offices. The leases are mostly standard commercial leases based on the Law Society template and are generally for four years with a four year option.

The above total includes GST input tax credits of \$1.274M (\$583,000 – 2015), which will be recoverable from Australian Taxation Office (ATO).

(b) Capital Commitments

Aggregate capital expenditure contracted for the completion of the following projects: Lotus Notes/Domino Replacement; Upgrade to Public Spaces in Parliament House; Security Infrastructure Upgrade; Disabled Toilet Upgrade; and establishment of new electorate offices at balance date and not provided for:

	2016	2015
	\$'000	\$'000
Not later than one year	1,307	5,132
Total (including GST)	<u>1,307</u>	<u>5,132</u>

The above total includes GST input tax credits of \$119,000 (\$467,000 - 2015), which will be recoverable from the ATO.

15. Contingent Liabilities and Contingent Assets

The Legislature had no contingent assets or contingent liabilities at reporting date (2015: nil).

16. Budget Review

Net result

The positive net result of \$21.581 million was lower than the budgeted positive net result of \$24.415 million by \$2.834 million. This arose from the following budget variations: higher employee related expenses (\$1.633 million); lower other operating expenses (\$367,000); lower depreciation and amortisation expenses (\$974,000); lower other expenses - Members' remuneration (\$1.425 million); higher grants and subsidies (\$89,000); lower revenue (\$3.872 million) and a higher loss on disposal of assets (\$6,000).

The employee related expenses were \$1.633 million higher than the budget of \$58.873 million. The primary reasons for the variation were:

- higher Members' staff salaries and on-costs of \$1.354 million than included in original budget; and
- Members' staff separation payments and redundancy payments to Parliamentary staff \$279,000 higher than budget.

Other operating expenses were lower than the budget of \$35.045 million by \$367,000 due to the following expenditure items:

- electorate offices rentals and outgoings \$353,000 under budget;
- contract and legal fees \$339,000 under budget;
- energy charges \$283,000 under budget;
- printing and electronic communication allowance \$587,000 over budget.

Other expenses – Members' remuneration \$1.425 million lower than the budget of \$40.707 million was primarily due to Crown acceptance of Parliamentary Contribution Superannuation Scheme being \$1.101 million lower than the budget of \$1.421 million.

Depreciation and amortisation expenses were \$974,000 lower than the budget of \$10.562 million. This was mainly due to the revaluation of Parliament's building being finalised after the original budget estimates were prepared.

Revenue was \$3.872 million lower than the budget of \$169.716 million due to:

- a \$4.05 million lower capital appropriation drawdown due to the allocations for some capital projects carried forward to 2016-17;
- Crown acceptance of employee benefits and liabilities being \$1.512 million lower than expected; offset by
- sale of goods and services being \$786,000 higher than budget principally from the sale of food and beverages;
- other revenue being \$631,000 higher than budget, consisting of \$467,000 for library collections recognised for first time and \$121,000 for workers' compensation hindsight adjustment; and
- grants received \$273,000 not in the budget with the main items being \$144,000 for redundancy grant and \$98,000 for a capital grant from the Department of Premier and Cabinet to cover cost of building alterations to accommodate Ministerial drivers and transport support staff.

Assets and liabilities

Total current assets of \$8.936 million were higher than the budget of \$6.876 million by \$2.060 million due to higher than budgeted cash holdings of \$1.921 million and higher receivables of \$130,000.

Total non-current assets of \$294.599 million were lower than the budget of \$297.798 million by \$3.199 million primarily due to \$4.05 million of Treasury-funded annual capital works being carried forward to 2016-17, offset by \$467,000 of library collections recognised first time in 2015-16.

Total liabilities of \$11.521 million were higher than the budget of \$11.045 million by \$476,000 due to higher payables of \$348,000 and higher employee provisions of \$128,000.

Cash flows

Net cash flows from operating activities were \$5.378 million lower than the budget of \$34.35 million due to the reduction in the capital appropriation of \$4.05 million, higher payments of employee related expenses of \$1.482 million and other expenses from operating activities of \$2.877 million. Offsetting these variances were increases in sale of goods and services of \$1.188 million and other receipts from other operating activities of \$1.592 million.

Net cash flows from investing activities were \$3.917 million lower than the budget of \$29.692 million due to asset acquisitions being lower than the budget by \$3.916 million.

17. Reconciliation of cash flows from operating activities to net result

	2016	2015
	\$'000	\$'000
Net cash used in operating activities	28,972	18,869
Depreciation	(9,588)	(7,516)
(Increase) / decrease in provisions	797	(925)
(Decrease) in receivables, inventories and other assets	220	(81)
(Increase) / decrease in creditors and other liabilities	719	(440)
(Loss) on sale of non-current assets	(6)	(516)
Assets recognised for first time	467	123
Net result	21,581	9,514

18. Financial Instruments

The Legislature's principal financial instruments are outlined below. These financial instruments arise directly from The Legislature's operations or are required to finance The Legislature's operations. The Legislature does not enter into or trade financial instruments, including derivative financial instruments, for speculative or any other purposes.

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

The Clerks and the Executive Manager have overall responsibility for the establishment and oversight of risk management and review and agree policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by The Legislature, to set risk limits and controls and to monitor risks.

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
			2016	2015
			\$'000	\$'000
Cash and cash equivalents	6	N/A	7,106	3,909
Receivables ¹	7	Loans and receivables (at amortised cost)	432	563
Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
			2016	2015
			\$'000	\$'000
Payables ²	12	Financial liabilities measured at amortised cost	4,277	5,424

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures*).
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7 *Financial Instruments: Disclosures*).

(b) **Credit risk**

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

Credit risk arises from the financial assets of The Legislature, including cash and receivables. No collateral is held by The Legislature. The Legislature has not granted any financial guarantees.

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

Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest was earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee to NSW Treasury. Under cash management reforms introduced by NSW Treasury from 1 July 2015, interest is no longer payable on cash held in bank accounts within the Treasury Banking System.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that The Legislature will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. Interest is earned on food and beverage sales after 60 days at 2% per month. No interest is charged on any other debtors. Food and beverage sales are made on 30-day terms. Other sales are made on either 14 or 30-day terms.

The Legislature 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 (2016: \$251,535; 2015: \$317,749) and less than 6 months past due (2016: \$95,190; 2015: \$76,060) are not considered impaired. Together these represent 93% of the total trade debtors.

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.

	\$'000	\$'000	\$'000
	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2016			
< 3 months overdue	84	84	-
3 months – 6 months overdue	11	11	-
> 6 months overdue	26	26	-
2015			
< 3 months overdue	76	76	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	55	55	-

Notes

1. Each column in the table reports "gross receivables".
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 (*Financial Instruments: Disclosures*) and excludes receivables that are not past due and not impaired. Therefore, the "total" will not reconcile to the receivables total recognised in the statement of financial position.

(c) **Liquidity risk**

Liquidity risk is the risk that The Legislature will be unable to meet its payment obligations when they fall due. The Legislature continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The Legislature has the following banking facilities as at 30 June 2016:

- Cheque cashing authority of \$20,000, which is the total encashment facility provided to enable recoupment of advance account activities.
- Tape negotiation authority of \$3,000,000. This facility authorised the bank to debit The Legislature's operating bank account up to the above limit when processing the electronic payroll and vendor files.
- MasterCard facility of \$550,000.

During the current and prior year, there were no defaults of loans payable. No assets have been pledged as collateral. The Legislature's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured), with the exception of Members' claims which are subject to requirements in the Parliamentary Remuneration Tribunal Determination, are settled in accordance with the policy set out in NSW Treasury Circular *Payment of Accounts* 11/12. For small business suppliers, whose terms are not specified, payment is made not later than 30 days from the 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.

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

Maturity analysis and interest rate exposure of financial liabilities

	\$'000		\$'000			\$'000		
	Weighted Average Effective Int. Rate	Nominal Amount ¹	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
2016								
Payables	-	4,277			4,277	4,277	-	-
Total Financial Liabilities	-	4,277			4,277	4,277	-	-
2015								
Payables	-	5,424	-	-	5,424	5,424	-	-
Total Financial Liabilities	-	5,424	-	-	5,424	5,424	-	-

Notes

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which The Legislature can be required to pay. The tables include both

interest and principal cash flows and therefore will not reconcile to the statement of financial position.

(d) **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 Legislature's exposures to market risk are primarily through interest rate risk on The Legislature's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment Facilities. The Legislature has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which The Legislature operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through The Legislature's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. The Legislature does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Legislature's exposure to interest rate risk is set out below. Under cash management reforms introduced by NSW Treasury from 1 July 2015, The Legislature no longer earns interest on cash held in bank accounts within the Treasury Banking System. Accordingly, no interest rate risk is recorded for 2015-16.

	\$'000	\$'000		\$'000	
	Carrying	-1%		+1%	
	Amount	Profit	Equity	Profit	Equity
2016					
<i>Financial assets</i>					
Cash and cash equivalents	7,106	-	-	-	-
Receivables	432	-	-	-	-
<i>Financial liabilities</i>					
Payables	4,277	-	-	-	-
2015					
<i>Financial assets</i>					
Cash and cash equivalents	3,909	(39)	(39)	39	39
Receivables	563	-	-	-	-
<i>Financial liabilities</i>					
Payables	5,424	-	-	-	-

(e) **Fair value measurement**

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. The amortised cost of financial instruments recognised in the

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

statement of financial position approximates the fair value, because of the short term nature of many of the financial instruments.

19. *Events After Reporting Period*

No events have occurred subsequent to balance date which would have a material financial effect on the financial statements.

End of audited financial statements

