



Parliament of New South Wales



Financial Performance

2016 - 2017

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Financial Commentary

Net result

The negative net result of \$168,000 was lower than the budgeted positive net result of \$8.796 million by \$8.964 million. This arose from the following budget variations: lower employee related expenses (\$732,000); higher other operating expenses (\$35,000); lower depreciation and amortisation expenses (\$288,000); higher other expenses - Members' remuneration (\$1 million); higher grants and subsidies (\$129,000); lower revenue (\$8.816 million) and a higher loss on disposal of assets (\$4,000).

The employee related expenses were \$732,000 lower than the budget of \$61.475 million. The primary reasons for the variation were:

- Lower staff salaries and wages of \$370,000 than budget; lower long service leave expense of \$980,000 than budget; superannuation accepted by the Crown \$103,000 lower than budget; accumulation scheme superannuation \$58,000 lower than budget; and
- Payroll tax \$454,000 higher than budget; workers compensation \$143,000 higher than budget and overtime \$172,000 higher than budget.

Other operating expenses were higher than the budget of \$35.275 million by \$35,000 due to the following expenditure items:

- energy costs \$32,000 over budget;
- telecommunication costs \$97,000 under budget;
- legal charges \$82,000 under budget;
- internal audit \$20,000 over budget; and
- computer costs \$165,000 over budget.

Other expenses – Members' remuneration was \$1 million higher than the budget of \$41.230 million primarily due to the transfer of the old LSA components to the Electoral Allowance of \$1.272 million; offset by savings in the general allowances of \$254,000.

Depreciation and amortisation expenses were \$288,000 lower than the budget of \$11.344 million.

This was mainly due to the carry over of \$7.718 million in capital funding to 2017-18 reducing capital expenditure this financial year.

Revenue was \$8.816 million lower than the budget of \$158.120 million due to:

- \$7.718 million lower capital appropriation drawdown due to capital projects allocations being carried forward to 2017-18;
- Crown acceptance of employee benefits and liabilities being \$1.490 million lower than expected; offset by
- sale of goods and services being \$164,000 higher than budget principally from the sale of food and beverages;
- other revenue being \$269,000 higher than budget, consisting of \$97,000 for library collections recognised for the first time and \$64,000 for a workers' compensation hindsight adjustment; and
- grants received being \$41,000 lower than budget due to redundancy grants received which were lower than the expected amount by \$133,000; offset by receipt of a grant of \$72,000 from the Department of Education to fund the Civics Education position for part of the year.

Assets and liabilities

Total current assets of \$7.043 million were higher than the budget of \$4.601 million by \$2.442 million due to higher than budgeted cash holdings of \$2.296 million and higher receivables of \$103,000.

Total non-current assets of \$296.924 million were lower than the budget of \$304.742 million by \$7.818 million primarily due to \$7.718 million of Treasury-funded annual capital works being carried forward to 2017-18.

Total current liabilities of \$11.999 million were higher than the budget of \$8.875 million by \$3.124 million due to higher payables of \$2.911 million and higher employee provisions of \$213,000.

Cash flows

Net cash flows from operating activities were \$8.742 million lower than the budget of \$20.140 million due to the reduction in the capital appropriation of \$7.718 million offset by lower payments of employee related expenses of \$1.977 million; an increase in payments to suppliers of \$4.254 million; an increase in sale of goods and services of \$1.010 million and other receipts from other operating activities of \$414,000.

Net cash flows from investing activities were \$8.121 million lower than the budget of \$21,271 million due to asset acquisitions being lower than the budget following the carry forward of \$7.718 million to 2017/18.

- Folding and Inserting Machines for Electorate Offices - \$1.876M
- Emergency generator for business continuity - \$3.308M
- Parliament House Tower Block Membrane Replacement - \$4.047M
- Parliament House Emergency Ventilation Compliance - \$1.806M
- Upgrade of the Legislature's Security Systems - \$269,000
- Online processing of Members' Claims Entitlement (SAP) - \$341,000
- Historical building restoration - \$744,000
- Minor Capital Works - \$2.927M

Outlook for the Parliament

The Parliament's budgeted net result for 2017-18 is a surplus of \$14.010 million. The Appropriation includes recurrent funding of \$136.744 million which included additional funding for:

- \$3.478 million to meet salary, other operating expense cost increases;
- \$5.450 million for funding the 92 additional electorate officers;
- \$2.526 million for previously unfunded Parliamentary Remuneration Tribunal determinations for Members' Entitlements; and

The Appropriation in 2017-18 includes capital funding of \$26.243M consisting of:

1. \$5.220M new major capital works funding for:
 - Parliament House & Electorate Offices Telephony – 3.120M
 - Replacement of the Broadcast system - \$1.000M
 - Strategic Security Measures - \$1.100M
2. \$21.022M funding for capital works in progress including:
 - Parliament House Ceiling and Building Services Replacement - \$990,000
 - Parliament House Education Centre and Level 6 Modifications - \$4.715M



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 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 2017, and of its financial performance and 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 the standards are 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 requirements of the:

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

I have also fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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
- precluding the Auditor-General from providing 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 the preparation and fair presentation of the financial statements 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 and fair presentation of the financial statements that 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 ability of The Legislature to continue as a going concern except where operations will cease as a result of an administrative restructure. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of 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 description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that The Legislature carried out their 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
- about any other information which may have been hyperlinked to/from the financial statements.



Margaret Crawford
Auditor-General of NSW

18 September 2017
SYDNEY



15 September 2017

The Legislature
Financial Statements for the Year ended
30 June 2017

Statement by Department Heads

We state that:

- a. the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards (including 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 mandated by the Treasurer;
- b. the financial statements exhibit a true and fair view of the financial position as at 30 June 2017 and financial performance of The Legislature for the year then ended; and
- c. there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Helen Minnican
Clerk of the Legislative
Assembly

Date: 15/9/17

David Blunt
Clerk of the Parliaments

Date: 15/9/17

Mark Webb
Executive Manager
Dept. of Parliamentary Services

Date: 15/9/2017.

Start of Audited Financial Statements

The Legislature

Statement of comprehensive income for the year ended 30 June 2017

	Notes	Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
Expenses excluding losses				
Employee related expenses	2(a)	60,743	61,475	60,506
Operating expenses	2(b)	35,310	35,275	34,678
Depreciation and amortisation	2(c)	11,056	11,344	9,588
Grants and subsidies	2(d)	129	-	203
Other expenses (Members' remuneration)	2(e)	42,230	41,230	39,282
Total Expenses excluding losses		149,468	149,324	144,257
Revenue				
Appropriations	3(a)	139,098	146,816	155,178
Sale of goods and services	3(b)	7,242	7,078	6,493
Grants and other contributions	3(c)	256	297	273
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	2,238	3,728	3,031
Other income	3(e)	470	201	869
Total Revenue		149,304	158,120	165,844
Operating result		(164)	8,796	21,587
Gain/ (loss) on disposal	4	(4)	-	(6)
Net result		(168)	8,796	21,581
Other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME		(168)	8,796	21,581

The accompanying notes form part of these financial statements.

The Legislature

Statement of financial position as at 30 June 2017

	Notes	Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	5,354	3,058	7,106
Receivables	7	1,560	1,457	1,753
Inventories	8	129	86	77
Total Current Assets		7,043	4,601	8,936
Non-Current Assets				
Property, plant and equipment	9			
- Land and buildings		217,714	221,525	216,228
- Plant and equipment		19,689	29,793	20,776
- Collection assets		49,699	45,613	49,705
Total property, plant and equipment		287,102	296,931	286,709
Intangible assets	10	9,822	7,811	7,890
Total Non-Current Assets		296,924	304,742	294,599
Total Assets		303,967	309,343	303,535
LIABILITIES				
Current Liabilities				
Payables	12	6,668	3,757	6,062
Provisions	13	5,331	5,118	5,337
Total Current Liabilities		11,999	8,875	11,399
Non-Current Liabilities				
Provisions	13	122	122	122
Total Non-Current Liabilities		122	122	122
Total Liabilities		12,121	8,997	11,521
Net Assets		291,846	300,346	292,014
EQUITY				
Reserves		102,732	102,732	102,732
Accumulated funds		189,114	197,614	189,282
Total Equity		291,846	300,346	292,014

The accompanying notes form part of these financial statements.

The Legislature

Statement of changes in equity for the year ended 30 June 2017

	Accumulated Funds	Asset Re-evaluation Surplus	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2016	189,282	102,732	292,014
Net result for the year	(168)	-	(168)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	(168)	-	(168)
Balance at 30 June 2017	189,114	102,732	291,846
Balance at 1 July 2015	167,701	102,732	270,433
Net result for the year	21,581	-	21,581
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

The accompanying notes form part of these financial statements.

The Legislature

Statement of cash flows for the year ended 30 June 2017

	Notes	Actual 2017 \$'000	Budget 2017 \$'000	Actual 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(58,412)	(60,389)	(59,841)
Grants and subsidies		(129)	-	(203)
Suppliers for goods and services		(81,587)	(77,333)	(78,697)
Total Payments		(140,128)	(137,722)	(138,741)
Receipts				
Appropriations (excluding equity appropriations)		139,098	146,816	155,178
Sale of goods and services		8,088	7,078	6,895
Interest received		-	-	67
Grants and other contributions		256	297	273
Other		4,084	3,671	5,300
Total Receipts		151,526	157,862	167,713
NET CASH FLOWS FROM OPERATING ACTIVITIES	17	11,398	20,140	28,972
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of land and buildings, plant and equipment		4	-	1
Purchases of land and buildings, plant and equipment		(10,053)	(19,077)	(20,624)
Purchases of intangibles		(3,101)	(2,194)	(5,152)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(13,150)	(21,271)	(25,775)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,752)	(1,131)	3,197
Opening cash and cash equivalents		7,106	4,189	3,909
CLOSING CASH AND CASH EQUIVALENTS	6	5,354	3,058	7,106

The accompanying notes form part of these financial statements.

**Notes to and forming part of the
Financial Statements for the year
ended 30 June 2017**

1. 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, staff and visitors. 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 2017 have been authorised for issue by the Clerk of the Legislative Assembly, the Clerk of the Parliaments and the Executive Manager Parliamentary Services on 15 September 2017.

(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
- Financial Reporting Directions mandated by the Treasurer.

The Legislature is a 'going concern' public sector entity. Parliamentary appropriation has been provided in the NSW Budget Papers for 2016-17 for drawdown on an 'as need' basis from the Crown Entity, an entity controlled by the State of NSW, to meet The Legislature's cash 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.

Judgments, 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 asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included

Cash flows are included in the statement of cash flows on a gross basis. 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.

(f) 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) Grants

Income from grants (other than contribution by owners) is recognised when The Legislature obtains control over the contribution. The Legislature is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably determined and the services would be purchased if not donated.

(g) Assets

(i) Acquisition of property, plant and equipment

Property, plant and equipment acquired are initially recognised at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other 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 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 are 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	April 2015	LPI Valuation
Buildings	April 2015	D P Martin Pty Ltd
Collection Assets:		
Library Collection	April 2014	Peter Tinslay Valuer
Archives Collection	April 2014	Peter Tinslay Valuer
Antiques	April 2015	Christies Australia
Artworks	April 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 only within a class of non-current assets.

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.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

(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 2016-17, which are determined based on valuers' assessments and The Legislature's capital replacement plans, are listed in the table below.

The Parliament House building	1.25-3.33 percent
Plant and fitout	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 present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

(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.

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. Following initial recognition, 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.

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, except for the Parliamentary Records Digitalisation asset.

The Legislature's intangible assets are amortised using the straight line method over a period of 3 to 4 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

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

(xii) Inventories

The Legislature's inventories are primarily held for resale and are stated at cost.

(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. All annual leave is classified as a current liability even where the entity does not expect to settle the liability within 12 months as the entity does not have an unconditional right to defer settlement.

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

(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

(i) 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).

(ii) Accumulated Funds

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

(iii) Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. revaluation surplus and foreign currency translation reserve).

(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 2016-17

The accounting policies applied in 2016-17 are consistent with those of the previous financial year except as a result of AASB 124 Related Parties extended to include not-for-profit (NFP) public sector entities and the financial reporting code moving from a prescribed format to a model format. The impact of AASB 124 is that The Legislature is required to disclose material transactions and outstanding balances for all related parties and compensation (monetary and non-monetary) in aggregate by category for Key Management Personnel (KMP). Refer to Note 19 for details.

(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 2017.

The possible impact of these Standards in the period of initial application is unlikely to result in a material adjustment, except for AASB 16 *Leases*. The Legislature, as a lessee, will be required to recognise the right-of-use asset as well as a lease liability for operating leases. The income statement will also be impacted as there will be an interest charge on the lease liability. This will increase the expenses recognised in the earlier years of the lease term when the depreciation and interest charges on the right-of-use asset are higher.

2. Expenses Excluding Losses

(a) Employee Related Expenses

	2017	2016
	\$'000	\$'000
Salaries and wages (including annual leave)	50,788	50,298
Superannuation – defined benefit plans	687	798
Superannuation – defined contribution plans	4,264	4,197
Payroll tax and fringe benefits tax	3,109	3,104
Long service leave	1,245	1,864
Workers' compensation insurance	650	245
	60,743	60,506

Employee related expenses excluded from the above are: (i) capitalised as property, plant and equipment - \$552,000 at 30 June 2017 (\$465,000 in 2015-16); and (ii) capitalised as intangible assets - \$224,000 at 30 June 2017 (\$76,000 in 2015-16).

(b) Other Operating Expenses including the following:

	2017	2016
	\$'000	\$'000
Auditors remuneration		
– audit of the financial statements	76	75
– audit of Members' additional entitlements under Parliamentary Remuneration Tribunal Determination	51	51
Cost of Sales - House Committee	1,420	1,336
Operating lease rental expense-minimum lease payments	5,696	5,489
Maintenance	1,510	1,579
Insurance	241	266
Contractors	6,638	6,344
Printing and postage	7,699	7,578
Telecommunication costs	747	877
Travel expenses	1,881	2,133
Computer costs	2,921	2,615
Stores	130	171
Advertising	552	471
Energy charges	1,484	1,394
Cleaning and laundry	826	820
Contract and other fees	2,469	1,759
Other	969	1,720
	35,310	34,678

The following comparative amounts have been reclassified to reflect the changes to member's entitlements introduced by the Parliamentary Remuneration Tribunal effective 1 July 2017. These reclassifications occurred within the Other Operating Expenses category.

<i>Prior to reclassification</i>	\$'000	<i>After reclassification</i>	\$'000
Printing and stationery	7,235	Printing and postage	7,578
Telecommunication costs	885	Telecommunication costs	877
Postage	863	(Combined with Printing)	-
Other	1,192	Other	1,720
	<u>10,175</u>		<u>10,175</u>

Reconciliation – Total maintenance

Maintenance expense – contracted labour and other (non-employee related), as above	1,510	1,579
Employee related maintenance expense included in Note 2 (a)	674	756
Total maintenance expenses included in Note 2(a) + 2(b)	<u>2,184</u>	<u>2,335</u>

(c) Depreciation and Amortisation Expense

	2017	2016
	\$'000	\$'000
Depreciation:		
– buildings	6,651	6,066
– plant and equipment	3,543	2,039
– collection assets	107	102
	<u>10,301</u>	<u>8,207</u>
Amortisation:		
– intangibles	755	1,381
	<u>755</u>	<u>1,381</u>
Total Depreciation and Amortisation Expense	<u>11,056</u>	<u>9,588</u>

(d) Grants and Subsidies

	2017	2016
	\$'000	\$'000
Grant to Commonwealth Parliamentary Association (NSW Branch)	129	203
	<u>129</u>	<u>203</u>

(e) Other Expenses – (Members’ Remuneration)

	2017	2016
	\$’000	\$’000
Salaries and allowances	37,646	34,819
Superannuation entitlements	2,427	2,417
Payroll tax and fringe benefits tax	2,157	2,046
	42,230	39,282

3. Revenue

(a) Appropriations and Transfers to the Crown Entity

Summary of Compliance	2017 \$'000		2016 \$'000	
	Appropriation	Expenditure	Appropriation	Expenditure
Original Budget per Appropriation Act	146,816	139,098	159,228	155,178
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	146,816	139,098	159,228	155,178
Appropriation drawn down*		139,098		155,178
Liability to Consolidated Fund		-		-
*Comprising:				
Appropriations (per Statement of Comprehensive Income)**		139,098		155,178
		139,098		155,178
**Appropriations:				
Recurrent		125,545		129,536
Capital		13,553		25,642
		139,098		155,178

Notes:

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

(b) Sale of Goods and Services

	2017 \$'000	2016 \$'000
<u>Sale of Goods</u>		
Sales of food and beverages	4,573	4,011
Sale of publications	-	7
	<u>4,573</u>	<u>4,018</u>
<u>Rendering of Services</u>		
Energy recoup from Sydney Hospital and State Library	545	439
Rent on Parliament House ministerial offices and Post Office	1,674	1,610
Parking fees	450	426
	<u>2,669</u>	<u>2,475</u>
	<u>7,242</u>	<u>6,493</u>

(c) Grants and Contributions

	2017	2016
	\$'000	\$'000
NSW Treasury redundancy grant	154	144
Sponsorship of "A Fit Place for Women" exhibition	20	-
Photographic competition sponsorship	10	10
Grant for Civics & Citizenship Officer position	72	-
NSW Department of Premier and Cabinet capital grant	-	98
Art competition sponsorship	-	20
Commonwealth Women Parliamentarians sponsorship	-	1
	<u>256</u>	<u>273</u>

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

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

	2017	2016
	\$'000	\$'000
Employees		
Superannuation – defined benefit	687	798
Long service leave	1,249	1,857
Payroll tax on superannuation	34	40
	<u>1,970</u>	<u>2,695</u>
Members		
Superannuation – defined benefit	254	319
Payroll tax on superannuation	14	17
	<u>268</u>	<u>336</u>
	<u>2,238</u>	<u>3,031</u>

(e) Other Revenue

	2017	2016
	\$'000	\$'000
Assets recognised for first time	97	467
Conference seminar fees	110	138
Workers' compensation hindsight adjustment	64	121
Televising Parliament expenditure recoupment	37	43
Telecommunication tower rental	45	44
Miscellaneous items	117	56
	470	869

4. Gain / (Loss) on Disposal

	2017	2016
	\$'000	\$'000
Proceeds from disposal	4	1
Written down value of assets disposed	(8)	(7)
Net gain/(loss) on disposal	(4)	(6)

5. Service group statements for the Year Ended 30 June 2017

	Chamber and Committee Support *		Members' Support *		Community Access *		Not Attributable		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
THE LEGISLATURE'S EXPENSES & INCOME										
Expenses excluding losses										
Employee related expenses	8,759	9,003	50,708	47,764	1,276	3,739	-	-	60,743	60,506
Operating expenses	5,092	5,160	29,477	27,375	742	2,143	-	-	35,310	34,678
Depreciation and amortisation	1,594	1,427	9,230	7,568	232	593	-	-	11,056	9,588
Grants and subsidies	19	30	107	160	3	13	-	-	129	203
Other expenses (Members' remuneration)	6,090	5,845	35,253	31,009	887	2,428	-	-	42,230	39,282
Total expenses excluding losses	21,554	21,465	124,775	113,876	3,140	8,916	-	-	149,468	144,257
Revenue **										
Appropriations	-	-	-	-	-	-	139,098	155,178	139,098	155,178
Sale of goods and services	123	297	3,906	3,514	3,213	2,682	-	-	7,242	6,493
Grants and other contributions	4	12	138	148	114	113	-	-	256	273
Acceptance by the Crown Entity of employee benefits and other liabilities	38	139	1,207	1,640	993	1,252	-	-	2,238	3,031
Other income	8	40	253	470	209	359	-	-	470	869
Total revenue	173	488	5,504	5,772	4,529	4,406	139,098	155,178	149,304	165,844
Gain / (loss) on disposal	(1)	(1)	(3)	(5)	-	-	-	-	(4)	(6)
Net result	(21,382)	(20,978)	(119,274)	(108,109)	1,389	(4,510)	139,098	155,178	(168)	21,581
Other comprehensive income										
TOTAL COMPREHENSIVE INCOME	(21,382)	(20,978)	(119,274)	(108,109)	1,389	(4,510)	139,098	155,178	(168)	21,581

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

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

Service group statements (continued)

THE LEGISLATURE'S ASSETS & LIABILITIES	Chamber and Committee Support *		Members' Support *		Community Access *		Not Attributable		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets										
Cash and cash equivalents	772	1,057	4,470	5,610	112	439	-	-	5,354	7,106
Receivables	225	261	1,302	1,384	33	108	-	-	1,560	1,753
Inventories	19	11	107	61	3	5	-	-	129	77
Total current assets	1,016	1,329	5,879	7,055	148	552	-	-	7,043	8,936
Non-current Assets										
Property, plant and equipment	41,400	42,662	239,673	226,328	6,029	17,719	-	-	287,102	286,709
Intangible assets	1,416	1,174	8,200	6,228	206	488	-	-	9,822	7,890
Total non-current assets	42,816	43,836	247,873	232,556	6,235	18,207	-	-	296,924	294,599
TOTAL ASSETS	43,832	45,165	253,752	239,611	6,383	18,759	-	-	303,967	303,535
Current liabilities										
Payables	962	902	5,566	4,785	140	375	-	-	6,668	6,062
Provisions	769	794	4,450	4,213	112	330	-	-	5,331	5,337
Total current liabilities	1,731	1,696	10,016	8,998	252	705	-	-	11,999	11,399
Non-current liabilities										
Provisions	18	18	101	96	3	8	-	-	122	122
Total non-current liabilities	18	18	101	96	3	8	-	-	122	122
TOTAL LIABILITIES	1,749	1,714	10,117	9,094	255	713	-	-	12,121	11,521
NET ASSETS	42,083	43,451	243,635	230,517	6,128	18,046	-	-	291,846	292,014

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

Service Group Descriptions

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

	2017	2016
	\$'000	\$'000
Cash at bank and on hand	5,354	7,106
	<u>5,354</u>	<u>7,106</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)	5,354	7,106
Closing Cash and cash equivalents (per Statement of Cash Flows)	5,354	7,106

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

7. Current Assets - Receivables

	2017	2016
	\$'000	\$'000
Sales of goods and services	461	372
Less: Allowance for impairment	2	-
	<u>459</u>	<u>372</u>
GST recoverable from ATO	741	1,071
Other debtors	55	60
Prepayments	305	250
	<u>1,560</u>	<u>1,753</u>

Movement in the allowance for impairment

Balance at 1 July	-	-
Amounts written off during the year	-	-
Amounts recovered during the year	-	-
Increase in allowance recognised in profit or loss	2	-
Balance at 30 June	<u>2</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**

	2017	2016
	\$'000	\$'000
Food and beverage stock at cost	71	62
Souvenirs at cost	58	15
	<u>129</u>	<u>77</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 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>
At 30 June 2017 – fair value				
Gross carrying amount	350,730	44,296	50,023	445,049
Accumulated depreciation and Impairment	(133,016)	(24,607)	(324)	(157,947)
Net carrying amount	<u>217,714</u>	<u>19,689</u>	<u>49,699</u>	<u>287,102</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 2017				
Net carrying amount at start of year	216,228	20,776	49,705	286,709
Additions	8,137	2,050	4	10,191
Assets first time recognised	-	-	97	97
Reclassifications from Intangibles	-	414	-	414
Disposals	-	(8)	-	(8)
Depreciation expense	(6,651)	(3,543)	(107)	(10,301)
Net carrying amount at end of year	<u>217,714</u>	<u>19,689</u>	<u>49,699</u>	<u>287,102</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 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
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	216,228	20,776	49,705	286,709

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 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	216,228	20,776	49,705	286,709

10. Intangible Assets

Software licensing and upgrade

At 1 July 2016	\$'000
Cost (gross carrying amount)	13,522
Accumulated amortisation and impairment	<u>(5,632)</u>
Net carrying amount	<u>7,890</u>
At 30 June 2017	
Cost (gross carrying amount)	15,776
Accumulated amortisation and impairment	<u>(5,954)</u>
Net carrying amount	<u>9,822</u>
Reconciliation	
Year ended 30 June 2017	
Net carrying amount at start of year	7,890
Additions (acquired separately)	3,101
Reclassification to Plant & Equipment	(414)
Amortisation (recognised in depreciation and amortisation)	<u>(755)</u>
Net carrying amount at end of year	<u>9,822</u>
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
Reclassifications from property, plant and equipment	117
Amortisation (recognised in depreciation and amortisation)	<u>(1,381)</u>
Net carrying amount at end of year	<u>7,890</u>

11. Fair Value Measurement of Non-Financial Assets

(a) Fair Value Hierarchy

2017

	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	-	-	165,514	165,514
Collection assets	-	49,699	-	49,699
	-	49,699	217,714	267,413

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

There were no transfers between Level 1 or 2 during the period.

(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.

2017	Land	Buildings	Total Recurring Level 3 Fair value \$'000
	\$'000	\$'000	\$'000
Fair value as at 1 July 2016	52,200	164,028	216,228
Additions	-	8,137	8,137
Depreciation	-	(6,651)	(6,651)
Fair value as at 30 June 2017	52,200	165,514	217,714

2016	Land	Buildings	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

12. Current Liabilities - Payables

	2017	2016
	\$'000	\$'000
Accrued salaries, wages and on-costs	2,252	2,146
Trade creditors	1,236	1,531
Accrued operating expenses	2,992	2,295
Other payables	188	90
	6,668	6,062

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

	2017	2016
	\$'000	\$'000
Employee benefits and related on-costs – Current		
Annual leave	3,464	3,463
Payroll tax on-costs	717	721
Annual leave, superannuation and workers' compensation on-costs	1,150	1,153
	5,331	5,337
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	5,453	5,459
Aggregate employee benefits and related on-costs		
Provisions – Current	5,331	5,337
Provisions - Non-Current	122	122
Accrued salaries, wages and on-costs (note 12)	2,252	2,146
	7,705	7,605

Of employee benefits for annual leave \$3.401 million (2016: \$3.334 million) is expected to be settled within twelve months and \$63,000 (2016: \$129,000) 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

	2017	2016
	\$'000	\$'000
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	5,681	4,741
Later than one year but not later than five years	9,678	9,133
Later than five years	491	457
Total (including GST)	15,850	14,331

The Legislature is the lessee of 98 properties throughout NSW, all 98 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 \$1.395 million (2016: \$1.274 million), which will be recoverable from Australian Taxation Office (ATO).

(b) Capital Commitments

Aggregate capital expenditure contracted for the completion of the following projects: Historical Building Maintenance, Disabled Toilets Access Upgrade, Education Centre Level 6, Tower Membrane Replacement, Emergency Ventilation Compliance and Emergency Generators as at the balance date and not provided for:

	2017	2016
	\$'000	\$'000
Not later than one year	3,952	1,307
Total (including GST)	<u>3,952</u>	<u>1,307</u>

The above total includes GST input tax credits of \$359,000 (2016: \$119,000), 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 (2016: nil).

16. Budget Review

Net result

The negative net result of -\$168,000 was lower than the budgeted positive net result of \$8.796 million by \$8.964 million. This arose from the following budget variations: lower employee related expenses (\$732,000); higher other operating expenses (\$35,000); lower depreciation and amortisation expenses (\$288,000); higher other expenses - Members' remuneration (\$1 million); higher grants and subsidies (\$129,000); lower revenue (\$8.816 million) and a higher loss on disposal of assets (\$4,000).

The employee related expenses were \$732,000 lower than the budget of \$61.475 million. The primary reasons for the variation were:

- Lower staff salaries and wages of \$370,000 than budget; lower long service leave expense of \$980,000 than budget; superannuation accepted by the Crown \$103,000 lower than budget; accumulation scheme superannuation \$58,000 lower than budget;
- Payroll tax \$454,000 higher than budget; workers compensation \$143,000 higher than budget and overtime \$172,000 higher than budget.

Other operating expenses were higher than the budget of \$35.275 million by \$35,000 due to the following expenditure items:

- energy costs \$32,000 over budget;
- telecommunication costs \$97,000 under budget;
- legal charges \$82,000 under budget;
- internal audit \$20,000 over budget
- computer costs \$165,000 over budget.

Other expenses – Members' remuneration was \$1 million higher than the budget of \$41.230 million primarily due to the transfer of the old LSA components to the Electoral Allowance of \$1.272 million; offset by savings in the general allowances of \$254,000.

Depreciation and amortisation expenses were \$288,000 lower than the budget of \$11.344 million. This was mainly due to the carry over of \$7.718 million not being capitalised in this financial year.

Revenue was \$8.816 million lower than the budget of \$158.120 million due to:

- \$7.718 million lower capital appropriation drawdown due to capital projects allocations being carried forward to 2017-18;
- Crown acceptance of employee benefits and liabilities being \$1.490 million lower than expected; offset by
- sale of goods and services being \$164,000 higher than budget principally from the sale of food and beverages;
- other revenue being \$269,000 higher than budget, consisting of \$97,000 for library collections recognised for the first time and \$64,000 for a workers' compensation hindsight adjustment; and
- grants received were \$41,000 lower than budget due to redundancy grants received which were lower than the expected amount by \$133,000; offset by receipt of a grant of \$72,000 from the Department of Education to fund the Civics Education position for part of the year.

Assets and liabilities

Total current assets of \$7.043 million were higher than the budget of \$4,601 million by \$2.442 million due to higher than budgeted cash holdings of \$2.296 million and higher receivables of \$103,000.

Total non-current assets of \$296.924 million were lower than the budget of \$304.742 million by \$7.818 million primarily due to \$7.718 million of Treasury-funded annual capital works being carried forward to 2017-18.

Total current liabilities of \$11.999 million were higher than the budget of \$8.875 million by \$3.124 million due to higher payables of \$2.911 million and higher employee provisions of \$213,000.

Cash flows

Net cash flows from operating activities were \$8.742 million lower than the budget of \$20.140 million due to the reduction in the capital appropriation of \$7.718 million offset by lower payments of employee related expenses of \$1.977 million; an increase in payments to suppliers of \$4.254 million; an increase in sale of goods and services of \$1.010 million and other receipts from other operating activities of \$413,000.

Net cash flows from investing activities were \$8.121 million lower than the budget of \$21.271 million due to asset acquisitions being lower than the budget following the carry forward of \$7.718 million to 2017-18.

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

	2017	2016
	\$'000	\$'000
Net cash used in operating activities	11,398	28,972
Depreciation and amortisation expense	(11,056)	(9,588)
Decrease / (increase) in provisions	6	797
Increase / (decrease) in receivables and inventories	(141)	220
Decrease / (increase) in payables	(468)	719
Net gain / (loss) on sale of property, plant and equipment	(4)	(6)
Assets recognised for first time	97	467
Net result	(168)	21,581

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
			2017	2016
			\$'000	\$'000
Class:				
Cash and cash equivalents	6	N/A	5,354	7,106
Receivables ¹	7	Loans and receivables (at amortised cost)	514	432
Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
			2017	2016
			\$'000	\$'000
Class:				
Payables ²	12	Financial liabilities measured at amortised cost	4,659	4,277

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 (2017: \$333,127; 2016: \$251,535) and less than 6 months past due (2017: \$104,839; 2016: \$95,190) are not considered impaired. Together these represent 95% 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 Total ^{1,2}	\$'000 Past due but not impaired ^{1,2}	\$'000 Considered impaired ^{1,2}
2017			
< 3 months overdue	96	96	-
3 months – 6 months overdue	9	9	-
> 6 months overdue	23	23	-
2016			
< 3 months overdue	84	84	-
3 months – 6 months overdue	11	11	-
> 6 months overdue	26	26	-

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 2017:

- 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.
- Visa card 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		
			Interest Rate Exposure			Maturity Dates		
	Weighted Average Effective Int. Rate	Nominal Amount ¹	Fixed Interest Rate	Variable Interest Rate	Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs
2017								
Payables	-	4,659			4,659	4,659	-	-
Total Financial Liabilities	-	4,659			4,659	4,659	-	-
2016								
Payables	-	4,277			4,277	4,277	-	-
Total Financial Liabilities	-	4,277			4,277	4,277	-	-

Notes

- 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 2016. 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.

(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

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

19. *Related Party Disclosures*

The Legislature's key management personnel compensation are as follows:

	2017
	\$'000
Short-term employee benefits:	
Salaries	1,293
Other monetary allowances	334
Non-monetary benefits	36
Other long-term employee benefits	-
Post-employment benefits	29
Termination benefits	-
Total remuneration	<u>1,692</u>

During the year, The Legislature did not enter into any other transactions on arm's length terms and conditions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year, The Legislature entered into transactions with other entities that are controlled by the State of NSW, these include:

- provision of ministerial offices and parking at Parliament House to NSW Department of Premier and Cabinet;
- supply of hot and chilled water for use in air conditioning to NSW State Library and the Sydney Hospital;
- engagement of special constables from NSW Police Force for the security of The Legislature;
- audit of financial statements and Members' additional entitlements by the Audit Office.

20. *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

