



Parliament of New South Wales

Financial Performance 2017-2018



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Financial Commentary

Financial Commentary

The Legislature

Net result

The net result of \$6.733 million was lower than the budgeted net result of \$14.010 million by \$7.277 million. This arose from the following budget variations: higher employee related expenses (\$22,000); higher operating expenses (\$571,000); higher depreciation and amortisation expenses (\$109,000); higher other expenses - Members' remuneration (\$1.015 million); higher grants and subsidies (\$129,000); lower revenue (\$5.421 million) and a higher loss on disposal of assets (\$10,000).

The employee related expenses were \$22,000 higher than the budget of \$68.163 million. The primary reasons for the variation were:

- Lower than budget results for staff salaries and wages of \$1.273 million; long service leave expense of \$803,000; workers compensation of \$54,000 and superannuation accepted by the Crown of \$172,000; offset by
- Higher than budget results for overtime of \$115,000; redundancy of \$351,000; defined contributions superannuation expenses (accumulation schemes) of \$2.307 million; payroll tax \$77,000; and other employee related expenses of \$16,000.

Operating expenses were higher than the budget of \$36.496 million by \$571,000 due mainly to higher charges for Special Constables of \$364,000 and higher energy charges of \$180,000.

Depreciation and amortisation expenses were \$109,000 higher than the budget of \$12.098 million. This was mainly due to the higher capitalisation of intangibles from the prior year.

Other expenses were \$1.015 million higher than a budget of \$43.229 million. This was made up of Members' remuneration and allowances being \$1.018 million higher than the budget of \$40.549 million, Members Superannuation and Payroll Tax being \$284,000 higher than budget.

Revenue was \$5.421 million lower than the budget of \$173.996 million due to:

- a \$6.036 million lower capital appropriation drawdown due capital projects allocations being carried forward to 2018-19;
- Crown acceptance of employee benefits and liabilities being \$838,000 lower than expected mainly due to lower long service leave and defined benefit superannuation expenses;
- sale of goods and services being \$480,000 higher than budget principally from the sale of food and beverages;
- other revenue being \$474,000 higher than budget, consisting of \$45,000 for library collections recognised for the first time, \$59,000 for a workers' compensation hindsight adjustment, \$175,000 for a landlord contribution for an early termination of a lease for an electorate office; \$60,000 for an office fit-out contribution and
- grants received were \$499,000 higher than budget due to Treasury grants received for business case development of \$272,000 and redundancies totalling \$217,000.

Assets and liabilities

Total current assets of \$5.987 million were lower than the budget of \$7.670 million by \$1.683 million due to lower than budgeted cash holdings of \$2.454 million and higher receivables of \$714,000.

Total non-current assets of \$349.548 million were higher than the budget of \$310.787 million by \$38.761 million primarily due to a revaluation of land and buildings of \$44.344 million offset by Treasury-funded annual capital works being carried forward to 2018-19 of \$6.036 million.

Total current liabilities of \$12.475 million were higher than the budget of \$11.399 million by \$1.076 million due to higher payables of \$226,000 and higher employee provisions of \$850,000.

Cash flows

Net cash flows from operating activities were \$7.642 million lower than the budget of \$26.108 million. This is due to the reduction in the capital appropriation of \$6.036 million offset by lower payments of employee related expenses of \$2.223 million; an increase in payments to suppliers of \$5.920 million; an increase in sale of goods and services of \$429,000 and other receipts from other operating activities of \$1.310 million.

Net cash flows from investing activities were \$5.791 million lower than the budget of \$26.243 million due to asset acquisitions being lower than the budget following the carry forward of \$6.036 million to 2018-19.

Outlook for the Parliament

The Parliament's budgeted net result for 2018-19 is a surplus of \$5.350 million. The Appropriation includes recurrent funding of \$145.679 million, which included additional funding for:

- \$2.742 million to meet salary and other operating expense cost increases;
- \$2.250 million for the Parliamentary Budget Office;
- \$1.951 million for previously unfunded Parliamentary Remuneration Tribunal Determinations for Members' Entitlements.

The Appropriation in 2018-19 includes capital funding for works in progress of \$16.453 million. This consists of the following:

- Parliament House Ceiling and Building Services Replacement - \$5.688 million
- Strategic Security Measures - \$2.319M
- Parliament House & Electorate Offices Telephony – 502,000
- Parliament House Education Centre and Level 6 Modifications - \$558,000
- Parliament House Tower Block Membrane Replacement - \$3.821 million
- Parliament House Emergency Ventilation Compliance - \$638,000
- Minor Capital Works - \$2.927 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 comprehensive income for the year ended 30 June 2018, the Statement of financial position as at 30 June 2018, 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 2018, 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 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 fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament 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.

Other Information

Other information comprises the information included in The Legislature's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Department Heads of The Legislature are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by Department Heads.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

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

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Clerks' and Executive Manager's Responsibilities 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 are responsible for assessing The Legislature's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where The Legislature's operations will cease as a result of an administrative restructure.

Auditor's Responsibilities 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 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
- about any other information which may have been hyperlinked to/from the financial statements.



Margaret Crawford
Auditor-General of NSW

18 September 2018
SYDNEY




14 September 2018

The Legislature
Financial Statements for the Year ended
30 June 2018

Statement by Department Heads

We state that:

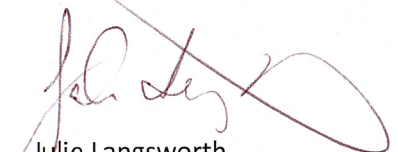
- a. the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards (including Australian Accounting Interpretations), the requirements of the *Public Finance and Audit Act 1983* (PFAA) and *Public Finance and Audit Regulation 2015* and the Financial Reporting Directions mandated by the Treasurer;
- b. the financial statements exhibit a true and fair view of the financial position as at 30 June 2018 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.


Leslie Gonye
A/Clerk of the Legislative
Assembly

Date: 14/9/2018


David Blunt
Clerk of the Parliaments

Date: 14/9/2018


Julie Langsworth
A/Executive Manager
Dept. of Parliamentary Services

Date: 14/9/18

Start of Audited Financial Statements

THE LEGISLATURE

Statement of comprehensive income for the year ended 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
Expenses excluding losses				
Employee related expenses	2(a)	68,185	68,163	60,743
Operating expenses	2(b)	37,067	36,496	35,310
Depreciation and amortisation	2(c)	12,207	12,098	11,056
Grants and subsidies	2(d)	129	-	129
Other expenses (Members' remuneration)	2(e)	44,244	43,229	42,230
Total Expenses excluding losses		161,832	159,986	149,468
Revenue				
Appropriations	3(a)	156,951	162,987	139,098
Sale of goods and services	3(b)	7,708	7,228	7,242
Grants and other contributions	3(c)	509	10	256
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	2,729	3,567	2,238
Other income	3(e)	678	204	470
Total revenue		168,575	173,996	149,304
Operating result		6,743	14,010	(164)
Gain / (loss) on disposal	4	(10)	-	(4)
Net result		6,733	14,010	(168)
Changes in revaluation surplus of property, plant and equipment		44,344	-	-
Other comprehensive income		44,344	-	-
TOTAL COMPREHENSIVE INCOME		51,077	14,010	(168)

The accompanying notes form part of these financial statements.

THE LEGISLATURE

Statement of financial position as at 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6	3,386	5,840	5,354
Receivables	7	2,467	1,753	1,560
Inventories		134	77	129
Total Current Assets		5,987	7,670	7,043
Non-Current Assets				
Property, plant and equipment	8			
- Land and buildings		262,311	223,670	217,714
- Plant and equipment		27,659	29,379	19,689
- Collection assets		49,708	49,608	49,699
Total property, plant and equipment		339,678	302,657	287,102
Intangible assets	9	9,870	8,130	9,822
Total Non-Current Assets		349,548	310,787	296,924
Total Assets		355,535	318,457	303,967
LIABILITIES				
Current Liabilities				
Payables	11	6,288	6,062	6,668
Provisions	12	6,187	5,337	5,331
Total Current Liabilities		12,475	11,399	11,999
Non-Current Liabilities				
Provisions	12	137	122	122
Total Non-Current Liabilities		137	122	122
Total Liabilities		12,612	11,521	12,121
Net Assets		342,923	306,936	291,846
EQUITY				
Reserves		147,076	102,732	102,732
Accumulated funds		195,847	204,204	189,114
Total Equity		342,923	306,936	291,846

The accompanying notes form part of these financial statements.

THE LEGISLATURE

Statement of changes in equity for the year ended 30 June 2018

	Accumulated Funds	Asset Revaluation Surplus	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2017	189,114	102,732	291,846
Net result for the year	6,733	-	6,733
Other comprehensive income for the year			
Net change in revaluation surplus of property, plant and equipment	-	44,344	44,344
Total comprehensive income for the year	6,733	44,344	51,077
Balance at 30 June 2018	195,847	147,076	342,923
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

THE LEGISLATURE

Statement of cash flows for the year ended 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(64,767)	(66,990)	(58,412)
Grants and subsidies		(129)	-	(129)
Suppliers for goods and services		(87,075)	(80,801)	(81,587)
Total Payments		(151,971)	(147,791)	(140,128)
Receipts				
Appropriations (excluding equity appropriations)		156,951	162,987	139,098
Sale of goods and services		7,657	7,228	8,088
Grants and other contributions		509	10	256
Other		4,984	3,674	4,084
Total Receipts		170,101	173,899	151,526
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	18,130	26,108	11,398
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment and collection assets		2	-	4
Purchases of property, plant and equipment		(18,650)	(25,933)	(10,053)
Purchases of intangibles		(1,450)	(310)	(3,101)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(20,098)	(26,243)	(13,150)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,968)	(135)	(1,752)
Opening cash and cash equivalents		5,354	5,975	7,106
CLOSING CASH AND CASH EQUIVALENTS	6	3,386	5,840	5,354

The accompanying notes form part of these financial statements.

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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 2018 have been authorised for issue by the Clerk of the Legislative Assembly, the Clerk of the Parliaments and the Executive Manager Parliamentary Services on 14 September 2018.

(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 2017-18 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.

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 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) **Appropriations and contributions**

Except as specified below, 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 8 and Note 10 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 and collection assets. The last comprehensive revaluation was completed for each class of asset set out below and was based on an independent assessment.

Land	March 2018	Valustate Pty Ltd
Buildings	March 2018	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 2017-18, which are determined based on valuers' assessments and The Legislature's capital replacement plans, are listed in the table below.

The Parliament House buildings	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

Receivables are subject to an annual review for impairment. These are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The entity first assesses whether impairment exists individually for receivables that are individually significant, or collectively for those that are not individually significant. Further, receivables are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

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 original effective interest rate. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses 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 11. 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

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

- 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 10 and Note 17 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 15.

(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 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year and there has been no new policies adopted during the current period.

(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 Standards apply to annual reporting periods beginning on or after 1 July 2018. The impact of these Standards in the period of initial application has been assessed as being nil, apart from the Standards commented on below.

The initial application of AASB 16 *Leases* is to result in a material adjustment. 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, the impact is not known at this stage.

AASB 1058 *Income of Not-for-Profits Entities* will replace most of the existing requirements in AASB 1004. The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. The impact of the new Standard is not expected to be material and is currently unknown. A review of the nature of donations or grants will be needed for

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

performance obligations or other obligations or other liability allowing better matching of income and expenses. Volunteer services will need to be considered for recognition if they can be reliably measured.

Under AASB 15 *Revenue from Contracts with Customers*, not-for profit entities will need to determine whether a transaction is a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15). The Legislature's revenue contracts are not complex but a review of any contracts that are not straightforward sales would need to occur in advance of the effective date. The impact is not yet known.

2. *Expenses Excluding Losses*

(a) Employee Related Expenses

	2018	2017
	\$'000	\$'000
Salaries and wages (including annual leave)	57,022	50,788
Superannuation – defined benefit plans	639	687
Superannuation – defined contribution plans	4,813	4,264
Payroll tax and fringe benefits tax	3,468	3,109
Long service leave	1,759	1,245
Workers' compensation insurance	484	650
	68,185	60,743

Employee related expenses excluded from the above are: (i) capitalised as property, plant and equipment - \$521,000 at 30 June 2018 (\$552,000 in 2016-17); and (ii) capitalised as intangible assets - \$51,000 at 30 June 2018 (\$224,000 in 2016-17).

(b) Other Operating Expenses including the following:

	2018	2017
	\$'000	\$'000
Auditors remuneration		
– audit of the financial statements	85	76
– audit of Members' additional entitlements under Parliamentary Remuneration Tribunal Determination	53	51
Cost of Sales - House Committee	1,303	1,420
Operating lease rental expense-minimum lease payments	5,823	5,696
Maintenance	1,516	1,510
Insurance	229	241
Contractors	6,806	6,638
Printing and postage	7,748	7,699
Telecommunication costs	692	747
Travel expenses	2,184	1,881
Computer costs	3,123	2,921
Stores	117	130
Advertising	751	552
Energy charges	1,786	1,484
Cleaning and laundry	807	826
Contract and other fees	2,988	2,469
Other	1,056	969
	37,067	35,310

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Reconciliation – Total maintenance

Maintenance expense – contracted labour and other (non-employee related), as above	1,516	1,510
Employee related maintenance expense included in Note 2 (a)	571	674
Total maintenance expenses included in Note 2(a) + 2(b)	2,087	2,184

(c) Depreciation and Amortisation Expense

	2018	2017
	\$'000	\$'000
Depreciation:		
– buildings	6,963	6,651
– plant and equipment	3,735	3,543
– collection assets	107	107
	10,805	10,301
Amortisation:		
– intangibles	1,402	755
	1,402	755
Total Depreciation and Amortisation Expense	12,207	11,056

(d) Grants and Subsidies

	2018	2017
	\$'000	\$'000
Grant to Commonwealth Parliamentary Association (NSW Branch)	129	129
	129	129

(e) Other Expenses – (Members' Remuneration)

	2018	2017
	\$'000	\$'000
Salaries and allowances	39,103	37,646
Superannuation entitlements	2,828	2,427
Payroll tax and fringe benefits tax	2,313	2,157
	44,244	42,230

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

3. Revenue

(a) Appropriations and Transfers to the Crown Entity

Summary of Compliance	2018 \$'000		2017 \$'000	
	Appropriation	Expenditure	Appropriation	Expenditure
Original Budget per Appropriation Act	162,987	156,951	146,816	139,098
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)		156,951	146,816	139,098
Appropriation drawn down*		156,951		139,098
Liability to Consolidated Fund		-		-
*Comprising:				
Appropriations (per Statement of Comprehensive Income)**		156,951		139,098
		156,951		139,098
**Appropriations:				
Recurrent		136,884		125,545
Capital		20,067		13,553
		156,951		139,098

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

	2018 \$'000	2017 \$'000
<u>Sale of Goods</u>		
Sales of food and beverages	4,853	4,573
	4,853	4,573
<u>Rendering of Services</u>		
Energy recoup from Sydney Hospital and State Library ¹	667	545
Rent on Parliament House ministerial offices and Post Office	1,722	1,674
Parking fees	466	450
	2,855	2,669
	7,708	7,242

¹ Sydney Hospital and the State Library are supplied hot and chilled water from Parliament House for their airconditioning needs, the cost of which is recouped from them.

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

(c) Grants and Contributions

	2018	2017
	\$'000	\$'000
NSW Treasury redundancy grant	217	154
NSW Treasury business case funding	272	-
Other grants	20	102
	<u>509</u>	<u>256</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:

	2018	2017
	\$'000	\$'000
Employees		
Superannuation – defined benefit	639	687
Long service leave	1,542	1,249
Payroll tax on superannuation	33	34
	<u>2,214</u>	<u>1,970</u>
Members		
Superannuation – defined benefit	488	254
Payroll tax on superannuation	27	14
	<u>515</u>	<u>268</u>
	<u>2,729</u>	<u>2,238</u>

(e) Other Revenue

	2018	2017
	\$'000	\$'000
Assets recognised for first time	45	97
Conference seminar fees	150	110
Workers' compensation hindsight adjustment	59	64
Compensation for early termination of lease	175	-
Miscellaneous items	249	199
	<u>678</u>	<u>470</u>

4. *Gain / (Loss) on Disposal*

	2018	2017
	\$'000	\$'000
Proceeds from disposal	2	4
Written down value of assets disposed	(12)	(8)
Net gain/(loss) on disposal	<u>(10)</u>	<u>(4)</u>

5. Program Group Statements for the Year Ended 30 June 2018

The Legislature's Expenses & Income	The Legislature*		Not Attributable**		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Expenses excluding losses						
Employee related expenses	68,185	60,743	-	-	68,185	60,743
Operating expenses	37,067	35,310	-	-	37,067	35,310
Depreciation and amortisation	12,207	11,056	-	-	12,207	11,056
Grants and subsidies	129	129	-	-	129	129
Other expenses (Members' remuneration)	44,244	42,230	-	-	44,244	42,230
Total Expenses excluding losses	161,832	149,468	-	-	161,832	149,468
Revenue						
Appropriations	-	-	156,951	139,098	156,951	139,098
Sale of goods and services	7,708	7,242	-	-	7,708	7,242
Grants and other contributions	509	256	-	-	509	256
Acceptance by the Crown Entity of employee benefits and other liabilities	2,729	2,238	-	-	2,729	2,238
Other income	678	470	-	-	678	470
Total revenue	11,624	10,206	156,951	139,098	168,575	149,304
Operating result	(150,208)	(139,262)	156,951	139,098	6,743	(164)
Gain / (loss) on disposal	(10)	(4)	-	-	(10)	(4)
Net result	(150,218)	(139,266)	156,951	139,098	6,733	(168)
Changes in revaluation surplus of property, plant and equipment	44,344	-	-	-	44,344	-
Other comprehensive income	44,344	-	-	-	44,344	-
TOTAL COMPREHENSIVE INCOME	(105,874)	(139,266)	156,951	139,098	51,077	(168)

*The name and purpose of the program group are summarised below.

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

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

The Legislature's Assets & Liabilities	The Legislature*		Not Attributable**		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Current Assets						
Cash and cash equivalents	3,386	5,354	-	-	3,386	5,354
Receivables	2,467	1,560	-	-	2,467	1,560
Inventories	134	129	-	-	134	129
Total Current Assets	5,987	7,043	-	-	5,987	7,043
Non-Current Assets						
Property, plant and equipment						
- Land and buildings	262,311	217,714	-	-	262,311	217,714
- Plant and equipment	27,659	19,689	-	-	27,659	19,689
- Collection assets	49,708	49,699	-	-	49,708	49,699
Total property, plant and equipment	339,678	287,102	-	-	339,678	287,102
Intangible assets	9,870	9,822	-	-	9,870	9,822
Total Non-Current Assets	349,548	296,924	-	-	349,548	296,924
Total Assets	355,535	303,967	-	-	355,535	303,967
LIABILITIES						
Current Liabilities						
Payables	6,288	6,668	-	-	6,288	6,668
Provisions	6,187	5,331	-	-	6,187	5,331
Total Current Liabilities	12,475	11,999	-	-	12,475	11,999
Non-Current Liabilities						
Provisions	137	122	-	-	137	122
Total Non-Current Liabilities	137	122	-	-	137	122
Total Liabilities	12,612	12,121	-	-	12,612	12,121
Net Assets	342,923	291,846	-	-	342,923	291,846
EQUITY						
Reserves	147,076	102,732	-	-	147,076	102,732
Accumulated funds	195,847	189,114	-	-	195,847	189,114
Total Equity	342,923	291,846	-	-	342,923	291,846

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

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

The Legislature

Purpose: The Legislature, or the Parliament of NSW, operates under the *Constitution Act 1902* as the system of representative democracy and responsible government for the State, making laws, appropriating funds, overseeing the Executive Government and debating public policy issues.

The financial information previously identified in service groups have been amalgamated within one program group.

6. Current Assets – Cash and Cash Equivalents

	2018	2017
	\$'000	\$'000
Cash at bank and on hand	3,386	5,354
	<u>3,386</u>	<u>5,354</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:

	2018	2017
	\$'000	\$'000
Cash and cash equivalents (per Statement of Financial Position)	3,386	5,354
Closing Cash and cash equivalents (per Statement of Cash Flows)	3,386	5,354

Refer to Note 17 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

7. *Current Assets - Receivables*

	2018	2017
	\$'000	\$'000
Sales of goods and services	384	461
Less: Allowance for impairment	1	2
	<u>383</u>	<u>459</u>
GST recoverable from ATO	1,651	741
Other debtors	78	55
Prepayments	355	305
	<u>2,467</u>	<u>1,560</u>
<i>Movement in the allowance for impairment</i>		
Balance at 1 July	2	-
Amounts written off during the year	-	-
Amounts recovered during the year	(2)	-
Increase in allowance recognised in profit or loss	1	2
Balance at 30 June	<u>1</u>	<u>2</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 17.

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

	Land and Buildings \$'000	Plant and Equipment \$'000	Collection Assets \$'000	Total \$'000
At 1 July 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	217,714	19,689	49,699	287,102

At 30 June 2018 – fair value

Gross carrying amount	416,343	54,065	50,140	520,548
Accumulated depreciation and Impairment	(154,032)	(26,406)	(432)	(180,870)
Net carrying amount	262,311	27,659	49,708	339,678

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 2018				
Net carrying amount at start of year	217,714	19,689	49,699	287,102
Additions	7,216	11,715	73	19,004
Assets first time recognised	-	-	45	45
Net revaluation increments less revaluation decrements	44,344	-	-	44,344
Disposals	-	(10)	(2)	(12)
Depreciation expense	(6,963)	(3,735)	(107)	(10,805)
Net carrying amount at end of year	262,311	27,659	49,708	339,678

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 10.

	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	216,228	20,776	49,705	286,709
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	217,714	19,689	49,699	287,102

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 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
Reclassification to intangibles	-	414	-	414
Disposals	-	(8)	-	(8)
Depreciation expense	(6,651)	(3,543)	(107)	(10,301)
Net carrying amount at end of year	217,714	19,689	49,699	287,102

9. Intangible Assets**Software licensing and upgrade**

At 1 July 2017 **\$'000**

Cost (gross carrying amount)	15,776
Accumulated amortisation and impairment	<u>(5,954)</u>

Net carrying amount **9,822**

At 30 June 2018

Cost (gross carrying amount)	17,227
Accumulated amortisation and impairment	<u>(7,357)</u>

Net carrying amount **9,870**

Reconciliation

Year ended 30 June 2018

Net carrying amount at start of year	9,822
Additions (acquired separately)	1,450
Amortisation (recognised in depreciation and amortisation)	<u>(1,402)</u>

Net carrying amount at end of year **9,870**

At 1 July 2016 **\$'000**

Cost (gross carrying amount)	13,522
Accumulated amortisation and impairment	<u>(5,632)</u>

Net carrying amount **7,890**

At 30 June 2017

Cost (gross carrying amount)	15,776
Accumulated amortisation and impairment	<u>(5,954)</u>

Net carrying amount **9,822**

Reconciliation

Year ended 30 June 2017

Net carrying amount at start of year	7,890
Additions (acquired separately)	3,101
Reclassifications from property, plant and equipment	(414)
Amortisation (recognised in depreciation and amortisation)	<u>(755)</u>

Net carrying amount at end of year **9,822**

10. Fair Value Measurement of Non-Financial Assets**(a) Fair Value Hierarchy****2018**

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment (Note 8)				
Land	-	-	64,340	64,340
Buildings	-	-	197,971	197,971
Collection assets	-	49,708	-	49,708
	-	49,708	262,311	312,019

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

2017

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment (Note 8)				
Land	-	-	52,200	52,200
Buildings	-	-	165,514	165,514
Collection assets	-	49,699	-	49,699
	-	49,699	217,714	267,413

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

(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.

2018	Land	Buildings	Total Recurring Level 3 Fair value \$'000
	\$'000	\$'000	
Fair value as at 1 July 2017	52,200	165,514	217,714
Additions	-	7,249	7,249
Reclassification to Collection Assets	-	(33)	(33)
Net Revaluation Increment	12,140	32,204	44,344
Depreciation	-	(6,963)	(6,963)
Fair value as at 30 June 2018	64,340	197,971	262,311

2017	Land	Buildings	Total Recurring Level 3 Fair value \$'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

11. Current Liabilities - Payables

	2018	2017
	\$'000	\$'000
Accrued salaries, wages and on-costs	2,070	2,252
Trade creditors	1,444	1,236
Accrued operating expenses	2,664	2,992
Other payables	110	188
	6,288	6,668

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 17.

12. Current / Non- Current Liabilities – Provisions

	2018	2017
	\$'000	\$'000
Employee benefits and related on-costs – Current		
Annual leave	4,053	3,464
Payroll tax on-costs	780	717
Annual leave, superannuation and workers' compensation on-costs	1,354	1,150
	6,187	5,331
Employee benefits and related on-costs – Non - Current		
Payroll tax on-costs	49	46
Annual leave, superannuation and workers' compensation on-costs	88	76
	137	122
Subtotal Employee benefits and related on-costs	6,324	5,453
Aggregate employee benefits and related on-costs		
Provisions – Current	6,187	5,331
Provisions - Non-Current	137	122
Accrued salaries, wages and on-costs (note 11)	2,070	2,252
	8,394	7,705

Of employee benefits for annual leave \$4.051 million (2017: \$3.401 million) is expected to be settled within twelve months and nil (2017: \$63,000) is expected to be settled after twelve months. All accrued wages and salaries are expected to be settled within twelve months.

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

	2018	2017
	\$'000	\$'000
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	5,861	5,681
Later than one year but not later than five years	6,805	9,678
Later than five years	234	491
Total (including GST)	12,900	15,850

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, leases for longer periods account for those with commitments over five years.

The above total includes GST input tax credits of \$1.162 million (2017: \$1.395 million), which will be recoverable from Australian Taxation Office (ATO).

(b) Capital Commitments

Aggregate capital expenditure contracted for the completion of the following projects: Ceiling & Building Services Replacement, Strategic Security Measures, Education Centre & Level 6 Modifications, Tower Block Membrane replacement, Emergency Ventilation Compliance, Parliament House & PH & Electorate Offices Telephony as at the balance date and not provided for:

	2018	2017
	\$'000	\$'000
Not later than one year	1,364	3,952
Total (including GST)	<u>1,364</u>	<u>3,952</u>

The above total includes GST input tax credits of \$124,000 (2017: \$359,000), which will be recoverable from the ATO.

14. Contingent Liabilities and Contingent Assets

The Legislature had no contingent assets or contingent liabilities at reporting date (2017: nil).

15. Budget Review

Net result

The net result of \$6.733 million was lower than the budgeted net result of \$14.010 million by \$7.277 million. This arose from the following budget variations: higher employee related expenses (\$22,000); higher operating expenses (\$571,000); higher depreciation and amortisation expenses (\$109,000); higher other expenses - Members' remuneration (\$1.015 million); higher grants and subsidies (\$129,000); lower revenue (\$5.421 million) and a higher loss on disposal of assets (\$10,000).

The employee related expenses were \$22,000 higher than the budget of \$68.163 million. The primary reasons for the variation were:

- Lower than budget results for staff salaries and wages of \$1.273 million; long service leave expense of \$803,000; workers compensation of \$54,000 and superannuation accepted by the Crown of \$172,000; offset by
- Higher than budget results for overtime of \$115,000; redundancy of \$351,000; defined contributions superannuation expenses (accumulation schemes) of \$2.307 million; payroll tax \$77,000; and other employee related expenses of \$16,000.

Operating expenses were higher than the budget of \$36.496 million by \$571,000 due mainly to higher charges for Special Constables of \$364,000 and higher energy charges of \$180,000.

Depreciation and amortisation expenses were \$109,000 higher than the budget of \$12.098 million. This was mainly due to the higher capitalisation of intangibles from the prior year.

Other expenses were \$1.015 million higher than a budget of \$43.229 million. This was made up of Members' remuneration and allowances being \$1.018 million higher than the budget of \$40.549, Members Superannuation and Payroll Tax being \$284,000 higher than budget.

Revenue was \$5.421 million lower than the budget of \$173.996 million due to:

- a \$6.036 million lower capital appropriation drawdown due capital projects allocations being carried forward to 2018-19;
- Crown acceptance of employee benefits and liabilities being \$838,000 lower than expected mainly due to lower long service leave and defined benefit superannuation expenses;
- sale of goods and services being \$480,000 higher than budget principally from the sale of food and beverages;
- other revenue being \$474,000 higher than budget, consisting of \$45,000 for library collections recognised for the first time, \$59,000 for a workers' compensation hindsight adjustment, \$175,000 for a landlord contribution for an early termination of a lease for an electorate office; \$60,000 for an office fit-out contribution and
- grants received were \$499,000 higher than budget due to Treasury grants received for business case development of \$272,000 and redundancies totalling \$217,000.

Assets and liabilities

Total current assets of \$5.987 million were lower than the budget of \$7.670 million by \$1.683 million due to lower than budgeted cash holdings of \$2.454 million and higher receivables of \$714,000.

Total non-current assets of \$349.548 million were higher than the budget of \$310.787 million by \$38.761 million primarily due to a revaluation of land and buildings of \$44.344 million offset by Treasury-funded annual capital works being carried forward to 2018-19 of \$6.036 million.

Total current liabilities of \$12.475 million were higher than the budget of \$11.399 million by \$1.076 million due to higher payables of \$226,000 and higher employee provisions of \$850,000.

Cash flows

Net cash flows from operating activities were \$7.642 million lower than the budget of \$26.108 million. This is due to the reduction in the capital appropriation of \$6.036 million offset by lower payments of employee related expenses of \$2.223 million; an increase in payments to suppliers of \$5.920 million; an increase in sale of goods and services of \$429,000 and other receipts from other operating activities of \$1.310 million.

Net cash flows from investing activities were \$5.791 million lower than the budget of \$26.243 million due to asset acquisitions being lower than the budget following the carry forward of \$6.036 million to 2018-19.

16. *Reconciliation of cash flows from operating activities to net result*

	2018	2017
	\$'000	\$'000
Net cash used in operating activities	18,130	11,398
Depreciation and amortisation expense	(12,207)	(11,056)
Decrease / (increase) in provisions	(871)	6
Increase / (decrease) in receivables and inventories	912	(141)
Decrease / (increase) in payables	734	(468)
Net gain / (loss) on sale of property, plant and equipment	(10)	(4)
Assets recognised for first time	45	97
Net result	6,733	(168)

17. *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
			2018	2017
			\$'000	\$'000
Cash and cash equivalents	6	N/A	3,386	5,354
Receivables ¹	7	Loans and receivables (at amortised cost)	461	514
Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
			2018	2017
			\$'000	\$'000
Payables ²	11	Financial liabilities measured at amortised cost	4,333	4,659

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 (2018: \$265,499; 2017: \$333,127) and less than 6 months past due (2018: \$100,048; 2017: \$104,839) 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	\$'000	\$'000
	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2018			
< 3 months overdue	93	93	-
3 months – 6 months overdue	7	7	-
> 6 months overdue	18	18	-
2017			
< 3 months overdue	96	96	-
3 months – 6 months overdue	9	9	-
> 6 months overdue	23	23	-

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 2018:

- 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		
	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
2018								
Payables	-	4,333			4,333	4,333	-	-
Total Financial Liabilities	-	4,333			4,333	4,333	-	-
2017								
Payables	-	4,659			4,659	4,659	-	-
Total Financial Liabilities	-	4,659			4,659	4,659	-	-

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 2017. 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 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.

18. Related Party Disclosures

	2018	2017
	\$'000	\$'000
Short-term employee benefits:		
Salaries	1,323	1,293
Other monetary allowances	301	334
Non-monetary benefits	19	36
Other long-term employee benefits	-	-
Post-employment benefits	44	29
Termination benefits	-	-
Total remuneration	1,687	1,692

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.

The Legislature

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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 of NSW.

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