

Independent Auditor's Report

To the Senior Master of the Supreme Court of Victoria

Opinion	I have audited the special purpose financial reports of the Senior Master of the Supreme Court of Victoria with respect to Common Fund No. 1, Common Fund No. 2, Common Fund No. 3, the Common Funds Guarantee and Reserve Account and the Assets Held on Separate Account (collectively the "Funds in Court") which comprises the: • balance sheets as at 30 June 2023 • comprehensive operating statements for the year then ended • statements of changes in equity for the year then ended • cash flow statements for the year then ended • notes to the financial statements, including significant accounting policies • joint declaration of the Senior Master and General Manager. In my opinion the financial reports present fairly, in all material respects, the financial position of the Funds in Court as at 30 June 2023 and their financial performance and cash flows for the year then ended in accordance with the accounting policies described in notes 2, 3 and 4 to the financial statements.
Basis for opinion	I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report. My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Senior Master in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> (the Code) that are relevant to my audit of the financial reports in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Emphasis of matter - Basis of accounting for financial reports	Without modifying my opinion, I draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial reports have been prepared for the purpose of meeting the requirements of the <i>Supreme Court Act 1986</i> and <i>Supreme Court (General Civil Procedures) Rules 2015</i>. As a result, the financial reports may not be suitable for another purpose.

The Senior Master's responsibilities for the financial reports	The Senior Master is responsible for the preparation and fair presentation of the financial reports in accordance with the accounting policies described in notes 2, 3 and 4 to the financial statements and for such internal control as the Senior Master determines is necessary to enable the preparation of financial reports that are free from material misstatement, whether due to fraud or error. In preparing the financial reports, the Senior Master is responsible for assessing the Funds in Court's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.
Auditor's responsibilities for the audit of the financial reports	As required by the Audit Act 1994, my responsibility is to express an opinion on the financial reports based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial reports. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds in Court's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Senior Master • conclude on the appropriateness of the Senior Master's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds in Court's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Funds in Court to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibilities for the audit of the financial reports	I communicate with the Senior Master regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
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(continued)

MELBOURNE
9 October 2023



Timothy Maxfield
as delegate of the Auditor-General of Victoria



SENIOR MASTER OF THE SUPREME COURT OF VICTORIA
SPECIAL PURPOSE FINANCIAL REPORTS FOR THE YEAR ENDED
30 JUNE 2023

This report includes comprehensive operating statements, balance sheets, statements of changes in equity, cash flow statements and notes to and forming part of the financial reports for:

- Common Fund No. 1;
- Common Fund No. 2;
- Common Fund No. 3;
- Common Funds Guarantee and Reserve Account; and
- Assets Held on Separate Account.

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JOINT DECLARATION OF THE SENIOR MASTER AND GENERAL MANAGER

We certify that the attached special purpose financial statements for Common Fund No. 1, Common Fund No. 2, Common Fund No. 3, Common Funds Guarantee and Reserve Account and the Assets Held on Separate Account have been prepared in accordance with the accounting policies outlined in Notes 2, 3 and 4 to the financial statements.

We further state that, in our opinion, the information set out in the comprehensive operating statements, balance sheets, statements of changes in equity, cash flow statements and notes to and forming part of the financial reports for Common Fund No. 1, Common Fund No. 2, Common Fund No. 3, Common Funds Guarantee and Reserve Account and the Assets Held on Separate Account present fairly the financial transactions during the year ended 30 June 2023 and the financial position at 30 June 2023. We are not aware of any circumstance which would render any particulars included in the financial reports to be misleading or inaccurate.

We authorise the attached financial reports for issue on 6 October 2023.



ASSOCIATE JUSTICE FIONA STEFFENSEN
Senior Master

Melbourne
6 October 2023



GARY GEORGIOS
General Manager - Funds in Court

Melbourne
6 October 2023

COMPREHENSIVE OPERATING STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Continuing operations											
Income from Transactions											
Interest revenue	5	2,413	204	30,710	25,441	791	106	2,142	1,687	-	-
Dividend revenue		-	-	-	-	30,653	48,953	-	-	-	-
Beneficiaries' annuity revenue		-	-	-	-	-	-	-	-	406	371
Administration cost recovery	6	-	-	-	-	-	-	12,020	11,888	-	-
Total income from Transactions		2,413	204	30,710	25,441	31,444	49,059	14,162	13,575	406	371
Expenses from Transactions											
Interest expense		-	-	101	23	-	-	-	-	-	-
Interest paid on closed accounts		14	5	130	28	-	-	-	-	-	-
Beneficiaries' annuity revenue transferred to Common Fund No. 2		-	-	-	-	-	-	-	-	406	371
Administration cost contribution	6	2,238	126	9,782	11,762	-	-	-	-	-	-
Depreciation expense		-	-	-	-	-	-	590	261	-	-
Administration expenses	8	-	-	-	-	-	-	13,599	12,959	-	-
Total expenses from Transactions		2,252	131	10,013	11,813	-	-	14,189	13,220	406	371
Net result from Transactions (net operating balance)		161	73	20,697	13,628	31,444	49,059	(27)	355	-	-
Other economic flows included in net result											
Capital gains on disposal of investments	7(a)	-	-	-	-	-	-	161	77	-	-
Capital gains on disposal of shares	15	-	-	-	-	4,301	57,975	-	-	-	-
Capital losses on disposal of investments	7(b)	-	-	-	-	-	-	(157)	-	-	-
Capital losses on disposal of shares	15	-	-	-	-	-	(32,838)	-	-	-	-
Net gain/(loss) arising on revaluation of long service liability		-	-	-	-	-	-	2	12	-	-
Total other economic flows included in net result		-	-	-	-	4,301	25,137	6	89	-	-
Net result from continuing operations		161	73	20,697	13,628	35,745	74,196	(21)	444	-	-
Net result from discontinued operations		-	-	-	-	-	-	-	-	-	-
Net result		161	73	20,697	13,628	35,745	74,196	(21)	444	-	-
Other economic flows - other changes in equity											
Gain/(losses) due to changes in fair value of financial assets	21,28	-	-	(3,285)	(105,747)	-	-	(259)	(3,864)	-	-
Cumulative (gains)/losses transferred to net result on sale of financial assets	21,7(c)	-	-	(80)	(74)	-	-	76	(3)	-	-
Total other economic flows - other changes in equity		-	-	(3,365)	(105,821)	-	-	(183)	(3,867)	-	-
Comprehensive result		161	73	17,332	(92,193)	35,745	74,196	(204)	(3,423)	-	-

The above comprehensive operating statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS AS AT 30 JUNE 2023

	Note	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets											
Cash and deposits		31,697	44,264	34,759	64,522	16,035	31,131	10,372	7,832	-	-
Receivables	9	97	26	7,986	6,911	3,465	3,601	582	596	17	16
Investments	12	20,000	20,000	858,364	823,941	-	-	53,575	55,838	-	-
Shares	15	-	-	-	-	726,668	649,240	-	-	-	-
Beneficiaries' annuity	16	-	-	-	-	-	-	-	-	263	368
		51,794	64,290	901,109	895,374	746,168	683,972	64,529	64,266	280	384
Non-financial assets											
Prepayments	11	-	-	-	-	-	-	82	68	-	-
Plant, equipment and intangible assets	17	-	-	-	-	-	-	3,986	4,070	-	-
Beneficiaries' residential properties	16,22	-	-	-	-	-	-	-	-	368,447	369,722
		-	-	-	-	-	-	4,068	4,138	368,447	369,722
Total assets		51,794	64,290	901,109	895,374	746,168	683,972	68,597	68,404	368,727	370,106
Liabilities											
Payables	10	-	-	-	-	-	-	884	462	-	-
Beneficiaries' annuity income	10	-	-	-	-	-	-	-	-	17	16
Amounts owing to beneficiaries	13	51,586	64,221	957,014	949,082	746,168	683,972	-	-	368,710	370,090
Provisions	14	-	-	-	-	-	-	2,164	2,189	-	-
Total liabilities		51,586	64,221	957,014	949,082	746,168	683,972	3,048	2,651	368,727	370,106
Net assets/(liability)		208	69	(55,905)	(53,708)	-	-	65,549	65,753	-	-
Equity											
Funds available for future distribution		208	69	9,650	8,482	-	-	-	-	-	-
Statutory reserve	19	-	-	-	-	-	-	9,529	9,597	-	-
General reserve	20	-	-	-	-	-	-	59,289	59,242	-	-
Investments revaluation reserve	21,27,28	-	-	(65,555)	(62,190)	-	-	(3,269)	(3,086)	-	-
Total equity/(deficit)		208	69	(55,905)	(53,708)	-	-	65,549	65,753	-	-

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Funds available for future distribution \$'000	General reserve \$'000	Statutory reserve \$'000	Investments revaluation reserve \$'000	Total \$'000
Common Fund No. 1					
Balance at 1 July 2021	11	-	-	-	11
Net result for period	73	-	-	-	73
Distribution of interest and dividends to beneficiaries	(15)	-	-	-	(15)
Balance as at 30 June 2022	69	-	-	-	69
Net result for period	161	-	-	-	161
Distribution of interest and dividends to beneficiaries	(22)	-	-	-	(22)
Balance as at 30 June 2023	208	-	-	-	208
Common Fund No. 2					
Balance at 1 July 2021	8,028	-	-	43,631	51,659
Net result for period	13,628	-	-	-	13,628
Distribution of interest and dividends to beneficiaries	(13,174)	-	-	-	(13,174)
Investments revaluation reserve (Note 21)					
Unrealised gains/(losses)	-	-	-	(105,747)	(105,747)
Realised (gains)/losses	-	-	-	(74)	(74)
Balance as at 30 June 2022	8,482	-	-	(62,190)	(53,708)
Net result for period	20,697	-	-	-	20,697
Distribution of interest and dividends to beneficiaries	(19,529)	-	-	-	(19,529)
Investments revaluation reserve (Note 21)					
Unrealised gains/(losses)	-	-	-	(3,285)	(3,285)
Realised (gains)/losses	-	-	-	(80)	(80)
Balance as at 30 June 2023	9,650	-	-	(65,555)	(55,905)
Common Fund No. 3					
Balance at 1 July 2021	3	-	-	-	3
Net result for period	74,196	-	-	-	74,196
Distribution of interest and dividends to beneficiaries	(49,032)	-	-	-	(49,032)
Unallocated interest and dividends (not distributed at month end)	(30)	-	-	-	(30)
Distribution of realised capital gains on shares	(25,137)	-	-	-	(25,137)
Allocation of realised capital losses on shares	-	-	-	-	-
Balance as at 30 June 2022	-	-	-	-	-
Net result for period	35,745	-	-	-	35,745
Distribution of interest and dividends to beneficiaries	(31,374)	-	-	-	(31,374)
Unallocated interest and dividends (not distributed at month end)	(70)	-	-	-	(70)
Distribution of realised capital gains on shares	(4,301)	-	-	-	(4,301)
Allocation of realised capital losses on shares	-	-	-	-	-
Balance as at 30 June 2023	-	-	-	-	-

	Funds available for future distribution \$'000	General reserve \$'000	Statutory reserve \$'000	Investments revaluation reserve \$'000	Total \$'000
Common Funds Guarantee and Reserve Account					
Balance at 1 July 2021	-	58,633	9,762	781	69,176
Net result for period	444	-	-	-	444
Transfers to/(from) reserves					
Transfers from Funds available for future distribution	-	444	-	-	444
Transfers to general reserve	(444)	-	-	-	(444)
Transfer to general reserve	-	-	(125)	-	(125)
Transfer from statutory reserve	-	125	-	-	125
Investments revaluation reserve (Note 21)					
Unrealised gains/(losses)	-	-	-	(3,864)	(3,864)
Realised (gains)/losses	-	-	-	(3)	(3)
Balance as at 30 June 2022	-	59,202	9,637	(3,086)	65,753
Net result for period	(21)	-	-	-	(21)
Transfers to/(from) reserves					
Transfers to Funds available for future distribution	-	(21)	-	-	(21)
Transfers from general reserve	21	-	-	-	21
Transfer to general reserve	-	-	(108)	-	(108)
Transfer from statutory reserve	-	108	-	-	108
Investments revaluation reserve (Note 21)					
Unrealised gains/(losses)	-	-	-	(259)	(259)
Realised (gains)/losses	-	-	-	76	76
Balance as at 30 June 2023	-	59,289	9,529	(3,269)	65,549

There were no movements in equity during the current period for Assets Held on Separate Account (2022: nil)

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Note Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from/(used in) operating activities										
Interest and dividends received	2,342	188	29,635	25,023	31,580	47,613	2,110	1,665	-	-
Administration cost (contribution)/recovery	(2,238)	(126)	(9,782)	(11,762)	-	-	12,020	11,888	-	-
Interest paid on closed accounts	(14)	(5)	(130)	(28)	-	-	-	-	-	-
Administration expenses paid	-	-	-	-	-	-	(13,168)	(12,782)	-	-
Interest expense paid	-	-	(101)	(23)	-	-	-	-	-	-
Transferred capital gains realised/(capital outgoings)	-	-	2,023	2,022	-	-	2,027	2,099	-	-
Net cash inflow from operating activities	18	90	21,645	15,232	31,580	47,613	2,989	2,870	-	-
Cash flows from/(used in) investing activities										
Investments: purchase	(60,000)	(49,000)	(112,169)	(168,717)	(59,667)	(236,721)	(19,387)	(18,086)	-	-
Investments: sale	60,000	42,500	74,381	113,925	22,065	247,388	21,466	8,997	-	-
Payments for non-financial assets	-	-	-	-	-	-	(505)	(1,742)	(20,118)	(15,451)
Net cash flow from/(used in) investing activities	-	(6,500)	(37,788)	(54,792)	(37,602)	10,667	1,574	(10,831)	(20,118)	(15,451)
Cash flows from/(used in) financing activities										
Receipts to beneficiaries' accounts	76,791	60,107	172,598	230,172	30,999	28,021	-	-	26,782	13,110
Transfers: beneficiaries' properties held on separate account	-	-	6,559	(2,446)	-	-	-	-	(6,559)	2,446
Transfers: annuities held on separate account	-	-	105	105	-	-	-	-	(105)	(105)
Payments from beneficiaries' accounts	(89,448)	(31,190)	(190,859)	(181,201)	(40,073)	(70,442)	-	-	-	-
Net cash flow from/(used in) financing activities	(12,657)	28,917	(11,597)	46,630	(9,074)	(42,421)	-	-	20,118	15,451
Net increase/(decrease) in cash held	(12,567)	22,474	(29,763)	5,048	(15,096)	15,859	2,540	(9,984)	-	-
Cash at beginning of the financial year	44,264	21,790	64,522	59,474	31,131	15,272	7,832	17,816	-	-
Cash at the end of the financial year	31,697	44,264	34,759	64,522	16,035	31,131	10,372	7,832	-	-

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 1. Nature and purpose of the Common Funds, Common Funds Guarantee and Reserve Account and Assets Held on Separate Account

A. Common Fund No. 1

The prime objective of Common Fund No. 1 is to maintain liquid investments with a secure return pending the identification of a person or persons entitled to any part of the fund. The Fund consists of:

- money held in dispute matters;
- money held as security for costs; and
- other payments made into court under the provisions of the *Trustee Act 1958* and other Acts of Parliament.

B. Common Fund No. 2

The prime objective of Common Fund No. 2 is to provide the maximum return achievable subject to acceptable risk criteria, and while maintaining sufficient liquidity, through investment in approved securities, in the longer term, for the benefit of beneficiaries who are under legal disability but are entitled presently to their funds that are administered by the Senior Master.

The Fund consists of:

- damages awarded and payments pursuant to proceedings brought for persons deemed incapable of managing their own affairs due to disability;
- funds held for minors who were dependents of a deceased parent or other persons *in loco parentis*;
- damages awarded and payments pursuant to proceedings brought for minors who will be entitled to payment out at age 18; and
- awards under the *Victims of Crime Assistance Act 1996* to minors and persons incapable of managing their own affairs.

C. Common Fund No. 3

The prime objective of Common Fund No. 3 is to provide the maximum return achievable in the longer term, subject to acceptable risk criteria through investment in approved shares and other financial instruments.

With a view to providing a measure of capital growth, a hedge against inflation, and to offset the taxation liability of beneficiaries, it is appropriate for part of the assets of certain beneficiaries to be invested outside Common Fund No. 2. During the reporting period, investments held by Common Fund No. 3 consisted of shares in leading companies listed on the Australian Securities Exchange. The shares managed in Common Fund No. 3 are recorded at market value in accordance with daily unit pricing.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

D. Common Funds Guarantee and Reserve Account

The purposes of the Common Funds Guarantee and Reserve Account are the:

- provision of a statutory reserve of 1% of the combined value of the total assets of Common Fund No. 1 and Common Fund No. 2 under the provisions of the *Supreme Court Act 1986*;
- provision for, and payment of, the administrative expenses of Funds in Court (FIC). FIC is a self-funded not-for-profit division of the Court. Pursuant to the *Supreme Court Act 1986* and the *Supreme Court (General Civil Procedure) Rules 2015*, it is used by the Senior Master to administer all funds paid into Court;
- smoothing of the annual crediting rate of interest paid to beneficiaries of the Common Funds; and
- provision for, and payment of, other expenses incurred by the Common Funds as considered appropriate by the Senior Master. Capital losses incurred on the realisation of any Common Fund investment may be met from this account.

E. Assets Held on Separate Account

With a view to providing a hedge against inflation, a measure of capital growth, and to offset the taxation liability of beneficiaries, it is appropriate for part of the assets of certain beneficiaries to be invested outside Common Fund No. 1, Common Fund No. 2 and Common Fund No. 3.

i. *Annuities*

Investments Held on Separate Account is limited to Indexed Annuities at present. Investing in inflation indexed Government guaranteed securities provides security, liquidity, tax efficiency and diversification over time. Annuities are registered in the name of the Senior Master of the Supreme Court, but in a manner which specifically identifies the individual upon whose behalf the investment is held.

ii. *Beneficiaries' residential properties*

The Senior Master may use a beneficiary's funds in Court to purchase real estate for the beneficiary to use as a residence. Upon application, the Court will decide whether the purchase of a property for the use of a beneficiary is in their best interests and whether or not it is affordable in the context of the funds in Court and the beneficiary's future needs. Each property purchased from the funds in Court is held in trust for the beneficiary. Refer to Note 22.

Note 2. Summary of significant accounting policies – all funds

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying Transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial report for the year ended 30 June 2023 and the comparative information presented for the year ended 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

A. Statement of compliance

The Senior Master has prepared these as special purpose financial statements because the individual funds are non-reporting entities. These special purpose financial statements are prepared in order to meet the requirements of the *Supreme Court Act 1986* and *Supreme Court (General Civil Procedure) Rules 2015*.

The financial statements have been prepared in accordance with the *Supreme Court Act 1986* and the requirements of the following Australian Accounting Standards (AASs):

- AASB 101 - Presentation of Financial Statements
- AASB 107 - Statement of Cash Flows
- AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1048 - Interpretation of Standards
- AASB 1054 - Australian Additional Disclosures

The accounting policies disclosed below are appropriate to provide true and fair financial statements.

B. Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical cost, except for:

- the revaluation of financial instruments that have been recorded on a fair value basis (refer to Note 4(B)); and
- the beneficiaries' residential properties which have been recorded at 'restricted' valuation (refer to Note 22).

C. Rounding of amounts

The financial statements have been prepared in Australian dollars and rounded to the nearest thousand (\$000) dollars, unless otherwise stated. Discrepancies in tables between totals and sums of components reflect rounding.

D. Significant judgements in applying accounting policies

When applying accounting policies, the Senior Master is required to make judgements, estimates and assumptions about carrying values that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis for making the judgements. Judgements and assumptions made by the Senior Master in the application of the accounting policies, that have significant effects on the financial statements and estimates, relate to the fair value of residential properties, and the useful lives of plant and equipment and provisions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Actual results may differ from these estimates.

E. Fair value of financial instruments

The Senior Master determines the policies and procedures for recurring and non-recurring fair value measurements in accordance with the requirements of the *Supreme Court Act 1986*.

For the purpose of fair value disclosures, the Senior Master has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy. The fair values and the net fair values of assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instruments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly.
- Level 3 – the fair value is determined using generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

F. Impairment

At the end of each reporting period, the Senior Master assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

In assessing impairment of statutory (non-contractual) assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods.

G. Taxation treatment

Income earned from the funds is taxed at the beneficiary level at ordinary marginal rates in the hands of the Senior Master, pursuant to s98 of the *Income Tax Assessment Act 1936*. For the funds in Common Fund No. 1, to which no person is 'presently entitled', income is taxed pursuant to s99A of the *Income Tax Assessment Act 1936*.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 3. Summary of significant accounting policies – Common Funds Guarantee and Reserve Account

A. Goods and services tax

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of an asset or as part of the expense item, as applicable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are presented in the cash flow statement on a gross basis. The GST components of cash flows arising from activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

B. Leases

Lease payments are recognised as an expense when incurred over the lease term.

C. Plant, equipment and intangible assets

Computer and office equipment is measured initially at cost and subsequently re-valued at fair value, less accumulated depreciation and any accumulated impairment. Intangible assets (some computer software) and leasehold improvements are measured at cost. Cost includes expenditure that is attributable directly to the acquisition of the items. The cost of leasehold improvements is capitalised as an asset and depreciated over the remaining term of the lease.

For all assets measured at fair value, the Senior Master has reviewed the fair value principles as well as its current valuation methodologies, specific requirements relating to highest and best use, valuation premise, and principle (or most advantageous) market. For all assets measured at fair value, current use is considered the highest and best use.

The capitalisation threshold for plant and equipment and intangible assets to be recognised as an asset is \$1,000 (2022: \$1,000).

Plant, equipment and intangible assets are categorised at Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

D. Depreciation and amortisation

All plant, equipment and intangible assets that have a finite useful life are depreciated. Depreciation is calculated on a straight-line basis to write off the net cost of each item of computer equipment, office equipment, leasehold improvements and intangible assets over their expected useful life. Estimates of remaining useful lives are made on an annual basis. The expected useful lives are as follows:

	2022-23	2021-22
Office equipment	4 years	4 years
Computer equipment	2.5 years	2.5 years
Leasehold improvements	2 - 5 years	2 - 4 years
Intangible assets	2.5 - 5 years	2.5 years

E. Payables

Payables are recognised when the Senior Master becomes obliged to make future payments resulting from the purchase of goods and services.

F. Provisions

All non-VPS employees are employed pursuant to a contract between the Senior Master and Morgan Consulting Pty Ltd (Morgan Consulting) whereby Morgan Consulting employs the staff at the request of the Senior Master. A contract is entered into by the Senior Master, Morgan Consulting and each staff member.

All annual leave and long service leave (LSL) of staff employed through Morgan Consulting is recognised in the financial accounts of the Common Funds Guarantee and Reserve Account.

Provisions for annual leave and LSL are recognised when there is a present obligation, probable outflow of resources representing economic benefits in future, and the amount of obligation can be measured reliably. The amount recognised as a provision is the best estimate as at the reporting date of the consideration required to settle the liability taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

i. Annual leave

Liabilities for annual leave are expected to be wholly settled within 12 months of the reporting date. The liabilities are recognised in the provision in respect of service up to the reporting date, classified as current liabilities, and measured at their nominal values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

ii. LSL

Liability for LSL is recognised in the provision as either:

- Current liability – unconditional LSL (representing seven or more years of continuous service for staff) is disclosed as a current liability, even where the liability is not expected to be settled within 12 months because there is not an unconditional right to defer the settlement of the entitlement should LSL be taken within 12 months.

The components of the current LSL liability are measured at:

- present value – component that is not expected to be wholly settled within 12 months; and
- nominal value – component that is expected to be wholly settled within 12 months.
- Non-current liability – conditional LSL (representing less than seven years of continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until staff have completed the requisite years of service. This non-current LSL liability is measured at present value.

iii. Employee on-costs

Employee on-costs (payroll tax, workers compensation, superannuation) are recognised and included in annual leave and LSL provision.

Note 4. Summary of significant accounting policies – scope and presentation of financial statements

A. Comprehensive operating statements

Income and expenses in the comprehensive operating statements are separated into either 'Transactions' or 'Other economic flows'. Refer to Note 30 for the definition of these terms.

i. Revenue

For **Common Fund No. 1** and **Common Fund No. 2**, revenue is income earned from investment activities of the funds accounted for on an accruals basis, plus interest from fixed interest securities and any transfers of interest from the Common Funds Guarantee and Reserve Account. Distributions to beneficiaries are made on 1 June each year.

For **Common Fund No. 3**, revenue is income earned from shares and, to a minor extent, short-term investments. In compliance with the Asset Management Policy, interest income from short-term investment activities is accounted for on an accruals basis. Dividend income from shares is accounted for on an accruals basis. Dividends from shares are recognised on the effective date, as announced (that is, 'ex-dividend') in both the daily 'unit price' and the balance sheet. Income distributions are made each month to 'unit holders' in accordance with the Asset Management Policy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

For the **Common Funds Guarantee and Reserve Account**, revenue is income earned from investment activities of the fund and is accounted for on an accruals basis. Revenue includes gains on sale or maturity of investments made by Common Funds No. 1 and No. 2 which are required by the *Supreme Court Act 1986* to be transferred to the Common Funds Guarantee and Reserve Account. Revenue may also include contributions from Common Funds No. 1 and No. 2 for administration cost recoveries.

For **Assets Held on Separate Account**, revenue is income earned from the indexed annuities accounted for on an accruals basis. The revenue is credited directly on cash receipt to the individual beneficiary's account in Common Fund No. 2.

ii. Expenses

Employee costs in relation to Common Funds Guarantee and Reserve Account (Note 8) are recognised as they are incurred and are reported in the financial year to which they relate. Staff engaged at FIC are employed either as Victorian Public Service (VPS) employees, supplied via Court Services Victoria (CSV), or via a contract of employment with an agency. VPS employees are Court employees under Part 3 of the *Public Administration Act 2004* as provided for by section 106 of the *Supreme Court Act 1986*. Employment costs and associated leave entitlements for VPS employees are paid by the Senior Master to CSV according to an agreement with CSV who is responsible for all leave entitlements attributable to these staff. Employment costs and associated leave entitlements attributable to employees employed by the employment agency are carried by the Senior Master (Note 3(F)).

iii. Comprehensive results for the period

Common Fund No. 1 and Common Fund No. 2

The comprehensive results reflect the results for the period from the following activities which are recognised in equity:

- the distributions made at 1 June to beneficiaries' accounts. At 1 June each year, distributions are made from Common Funds No. 1 and No. 2 to the accounts of the respective beneficiaries initiated by the declaration of respective interest rates by the Senior Master with the approval of the Chief Justice;
- allocations of all unrealised gains and losses;
- revaluation reserves; and
- administration cost contributions transferred to the Common Funds Guarantee and Reserve Account.

At 30 June each year there are unallocated funds that consist of net investment income (that is, interest) earned and either received or receivable during June. This amount is included as accumulated surplus in the equity section of the balance sheet until a distribution is made during the following twelve months. These funds will not be allocated to the accounts of beneficiaries until the following 1 June, save that interest paid on closed accounts will be distributed during the year as a result of beneficiaries leaving a Fund. Where interest is paid on closed accounts, the interest is paid on either the last interest rate declared for Common Fund No. 1 or the declared interim rate for Common Fund No. 2.

The Funds available for future distribution in the statement of changes in equity represents the unallocated funds at 30 June.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Common Fund No. 3

The comprehensive result for the period reflects the net result attributable to interest from investments, dividends from shares and realised capital gains on shares. Interest, dividends and realised capital gains are distributed to beneficiaries during the reporting period.

The Funds available for future distribution in the statement of changes in equity represents the unallocated funds at 30 June.

Common Funds Guarantee and Reserve Account

The comprehensive result for the period reflects all investment and operating revenues and expenses and administration cost recoveries transferred from Common Fund No. 1 and Common Fund No. 2.

Assets Held on Separate Account

All revenue received from annuities and beneficiaries' properties is credited directly to beneficiaries' Common Fund No. 2 accounts.

B. Balance sheets

Items of assets and liabilities in the balance sheets are:

- listed in order of liquidity; and
- aggregated into financial and non-financial assets.

Assets and liabilities are disclosed as current versus non-current in the notes where relevant.

Cash and deposits

Cash and deposits, including cash equivalents, comprise of cash on hand and cash in bank, deposits at call and those highly liquid investments with the balances maturing within three months of purchase date. They also include 'at call accounts' that are provided for by the Asset Management Policy.

There were no bank overdrafts at 30 June 2023 (2022: nil).

Receivables

Receivables include accrued investment income (interest) which is accounted for on an accruals basis. These receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement receivables are measured at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Investments

Investments in **Common Fund No. 1** comprise Australian fixed income securities.

Investments in **Common Fund No. 2** and **Common Funds Guarantee and Reserve Account** comprise State Government securities and bonds, and Australian fixed income securities.

Investments in **Common Fund No. 3** comprise shares in companies listed on the Australian Securities Exchange.

Investments in **Assets Held on Separate Account** comprise indexed annuities. The indexed annuities are amortised in equal instalments over the period of the annuity contract.

The Senior Master has classified investments in Common Fund No. 1, Common Fund No. 2 and Common Funds Guarantee and Reserve Account as financial assets at fair value through other comprehensive income. Gains and losses arising from changes in fair value are recognised directly in equity on the balance sheets until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the comprehensive result for the period.

Investments in Common Fund No. 3 are equity investments which are recognised and measured at their fair value. Realised gains and losses resulting from the disposal of an investment are recognised in the comprehensive operating statement. Unrealised gains and losses due to the net movement in the fair value of the investment are recognised as an adjustment to the investment and the liability 'Amounts owing to beneficiaries'. Section 113A(8) of the *Supreme Court Act 1986* requires the fair value of 'Amounts owing to beneficiaries' to be measured on a daily basis, effectively establishing the fund's unit price. Therefore, unrealised gains and losses of the liability are not recognised in the comprehensive operating statement.

Capital gains and losses are defined as proceeds from sale or realisation of investments, less purchase cost. Gains from Common Fund No. 1 and Common Fund No. 2 are transferred to the Common Funds Guarantee and Reserve Account pursuant to s113(17) of the *Supreme Court Act 1986*. At the discretion of the Senior Master, losses may be paid from the Common Funds Guarantee and Reserve Account pursuant to s113(18)(a) of the Act.

Investments are categorised at Level 1 of the fair value hierarchy.

Interest expense comprises the premiums paid on State Government securities and bonds at time of purchase.

Amounts owing to beneficiaries

The Senior Master records Funds that are paid into Court as a liability either in Common Fund No.1 (when no person has been identified as entitled presently to any part of the funds) or Common Fund No. 2 (when a beneficiary is under legal disability but entitled presently to their funds). A liability is de-recognised when it is settled, including when the Senior Master makes a payment to a beneficiary.

Amounts owing to beneficiaries of Common Fund No. 3 and Assets Held on Separate Account are recognised and measured at their fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

C. Statements of changes in equity

The statements of changes in equity present reconciliations of each equity opening balance at the beginning of the year to the closing balance at the end of the year, showing separately movements due to amounts recognised in the comprehensive result and amounts recognised in equity related to transactions.

Distributions to beneficiaries are recognised in equity apart from Common Fund No. 3. Refer to Note 4(A)(iii).

D. Cash flow statements

The statements of cash flows classify flows by operating, investing and financing activities in accordance with AASB 107 *Statement of Cash Flows*.

Note 5. Interest revenue

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Bank account	1,287	113	1,521	303	791	106	146	36	-	-
Fixed interest securities	1,126	91	29,189	25,138	-	-	1,996	1,651	-	-
Total interest revenue	2,413	204	30,710	25,441	791	106	2,142	1,687	-	-

Note 6. Administration cost recovery/(contribution)

Interest transfer (to)/from pursuant to s113(16) of the *Supreme Court Act 1986*. Interest was paid from Common Funds No. 1 and No. 2 to the Common Funds Guarantee and Reserve Account.

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Total administration cost recovery/(contribution)	(2,238)	(126)	(9,782)	(11,762)	-	-	12,020	11,888	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 7. Capital gains and losses on investments

Note 7a. Capital gains on disposal of investments

All capital profits made on the realisation of a Common Fund investment are credited to the Common Funds Guarantee and Reserve Account pursuant to s113(17) of the *Supreme Court Act 1986*.

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital gains realised	-	-	106	74	-	-	55	3	-	-
Capital gains transferred (to)/from	-	-	(106)	(74)	-	-	106	74	-	-
Total capital gains on disposal of investments	-	-	-	-	-	-	161	77	-	-

Note 7b. Capital losses on disposal of investments

Capital losses incurred on realisation of any Common Fund investment may be met by the Direction of the Senior Master from the Common Funds Guarantee and Reserve Account pursuant to s113(18)(a) of the *Supreme Court Act 1986*.

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital losses incurred	-	-	(26)	-	-	-	(131)	-	-	-
Capital losses transferred to/(from)	-	-	26	-	-	-	(26)	-	-	-
Total capital losses on disposal of investments	-	-	-	-	-	-	(157)	-	-	-

Note 7c. Cumulative (gains)/losses on investments

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cumulative (gains)/losses transferred to net result on sale of financial assets	-	-	(80)	(74)	-	-	76	(3)	-	-

* Gains/losses in relation to shares held in Common Fund No. 3 are disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 8. Administration expenses

The following expenses incurred in administering the Common Funds are paid at the discretion of the Senior Master from the Common Funds Guarantee and Reserve Account pursuant to s113(18)(c) of the *Supreme Court Act 1986*.

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Computer and office equipment	-	-	-	-	-	-	676	415	-	-
Consultants' fees	-	-	-	-	-	-	1,166	1,067	-	-
Employee expenses	-	-	-	-	-	-	10,226	10,163	-	-
External audit fees (Note 26)	-	-	-	-	-	-	91	86	-	-
Motor vehicle operating expenses	-	-	-	-	-	-	67	61	-	-
Stationery and office supplies	-	-	-	-	-	-	46	35	-	-
General office expenditure, including legal and investment costs	-	-	-	-	-	-	1,268	1,077	-	-
Training	-	-	-	-	-	-	59	55	-	-
Total administration expenses	-	-	-	-	-	-	13,599	12,959	-	-

Note 9. Receivables

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current:										
Bank bill interest	-	-	-	-	-	-	-	-	-	-
Fixed interest securities	97	26	7,986	6,911	-	-	457	425	-	-
Annuities	-	-	-	-	-	-	-	-	17	16
Dividends (ex-dividend)	-	-	-	-	3,465	3,601	-	-	-	-
GST refunds	-	-	-	-	-	-	125	171	-	-
Total receivables	97	26	7,986	6,911	3,465	3,601	582	596	17	16

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 10. Payables

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current:										
Audit fees (Internal and External)	-	-	-	-	-	-	137	73	-	-
Computer-related	-	-	-	-	-	-	48	38	-	-
Consultants' fees	-	-	-	-	-	-	111	138	-	-
Employee expenses	-	-	-	-	-	-	567	199	-	-
Other	-	-	-	-	-	-	21	14	-	-
Beneficiaries' annuity interest	-	-	-	-	-	-	-	-	17	16
Total payables	-	-	-	-	-	-	884	462	17	16

Note 11. Prepayments

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current:										
Administration expenses	-	-	-	-	-	-	82	68	-	-
Total prepayments	-	-	-	-	-	-	82	68	-	-

Note 12. Investments on common account

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments	20,000	20,000	858,364	823,941	-	-	53,575	55,838	-	-
Total investments on common account	20,000	20,000	858,364	823,941	-	-	53,575	55,838	-	-
Comprised of										
Current (matures < 1 year)	20,000	20,000	152,442	74,223	-	-	27,978	18,376	-	-
Non-current (matures > 1 year)	-	-	705,922	749,718	-	-	25,597	37,462	-	-
	20,000	20,000	858,364	823,941	-	-	53,575	55,838	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 13. Amounts owing to beneficiaries

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current:										
Beneficiary accounts	51,586	64,221	33,232	36,420	444	192	-	-	-	-
Non-current:										
Beneficiary accounts	-	-	923,782	912,662	745,724	683,780	-	-	-	-
Beneficiaries' residential properties	-	-	-	-	-	-	-	-	368,710	370,090
Total amounts owing to beneficiaries	51,586	64,221	957,014	949,082	746,168	683,972	-	-	368,710	370,090

Note 14. Provisions

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current:										
Unconditional annual leave entitlements	-	-	-	-	-	-	677	770	-	-
Unconditional long service leave entitlements	-	-	-	-	-	-	1,315	1,240	-	-
Total current	-	-	-	-	-	-	1,992	2,010	-	-
Current entitlements that are expected to be utilised:										
Within 12 months after end of the reporting period	-	-	-	-	-	-	677	770	-	-
More than 12 months after the end of the reporting period	-	-	-	-	-	-	1,315	1,240	-	-
	-	-	-	-	-	-	1,992	2,010	-	-
Non-current:										
Conditional long service leave entitlements	-	-	-	-	-	-	137	166	-	-
Provision for lease incentive	-	-	-	-	-	-	35	13	-	-
Total non-current	-	-	-	-	-	-	172	179	-	-
Total provisions	-	-	-	-	-	-	2,164	2,189	-	-

The total closing balances for the provisions include on-costs of \$279,725 (2022: \$269,541) for long service leave and \$197,083 (2022: \$208,505) for annual leave.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 15. Investments in shares - Common Fund No. 3

	2023 \$'000	2022 \$'000
Opening balance at 1 July	649,240	709,857
Shares purchased during the year	59,667	236,721
Dividends reinvested during the year	-	832
Shares (including rights issues/return of capital) disposed of during the year	(22,065)	(247,388)
Capital gains from shares disposed of during the year	4,301	57,975
Capital losses from shares disposed of during the year	-	(32,838)
Realised gains distributed to beneficiaries	(4,301)	(25,137)
Unrealised gains/(losses) in the market value of shares throughout the year	39,826	(50,782)
Closing balance at 30 June	726,668	649,240

Shares are held for the long-term rather than trading purposes. The portfolio is maintained in accordance with the model set by the Senior Master based on the recommendation of the Investment Review Panel.

When beneficiaries purchase units of the Common Fund No. 3, a corresponding liability is booked to reflect the Senior Master's responsibility for management of beneficiaries' funds. Consequently any movements during the year are adjusted against the value of the shares and the liabilities owed to beneficiaries (Note 4(B)).

Note 16. Assets Held on Separate Account

	2023 \$'000	2022 \$'000
Non-current:		
Annuities		
Opening balance 1 July	368	506
Annuities disposed of during the year	-	(33)
Amortisation of annuities in current year	(105)	(105)
Closing balance at 30 June (historical cost)	263	368
Beneficiaries' residential properties		
Opening balance 1 July (Note 22)	369,722	357,845
Properties purchased during the year	20,118	15,451
Properties disposed during the year	(26,677)	(13,005)
Valuation movements (Note 22)	5,284	9,431
Closing balance at 30 June (Note 22)	368,447	369,722
Total closing balance	368,710	370,090

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 17. Plant, equipment and intangible assets – Common Funds Guarantee and Reserve Account

	30 June 2023 \$'000	30 June 2022 \$'000
Plant and equipment		
Computer equipment	1,377	1,292
Less: accumulated depreciation	(1,279)	(1,182)
Carrying amount of computer equipment	98	110
Office equipment	1,345	1,338
Less: accumulated depreciation	(1,280)	(1,243)
Carrying amount of office equipment	65	95
Leasehold improvements	1,020	1,014
Less: accumulated depreciation	(1,015)	(1,010)
Carrying amount of leasehold improvements	5	4
Total carrying amount of plant and equipment	168	209
Intangible assets		
Computer software - TMS	4,226	3,818
Computer software - Other	142	142
Less: accumulated amortisation	(550)	(99)
Total carrying amount of intangible assets	3,818	3,861
Total carrying amount of plant, equipment and intangible assets	3,986	4,070

Reconciliations of the carrying amounts for each class of plant, equipment and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

	Computer equipment \$'000	Office equipment \$'000	Leasehold improvements \$'000	Intangible assets \$'000	Total \$'000
Gross carrying amount:					
Balance as at 1 July 2021	1,260	1,280	1,008	2,313	5,861
Additions	32	58	6	1,647	1,743
Disposals	-	-	-	-	-
Balance as at 30 June 2022	1,292	1,338	1,014	3,960	7,604
Additions	85	7	6	408	506
Disposals	-	-	-	-	-
Balance as at 30 June 2023	1,377	1,345	1,020	4,368	8,110
Accumulated depreciation and amortisation:					
Balance as at 1 July 2021	(989)	(1,208)	(1,003)	(73)	(3,273)
Disposals	-	-	-	-	-
Depreciation and amortisation	(193)	(35)	(7)	(26)	(261)
Balance as at 30 June 2022	(1,182)	(1,243)	(1,010)	(99)	(3,534)
Disposals	-	-	-	-	-
Depreciation and amortisation	(97)	(37)	(5)	(451)	(590)
Balance as at 30 June 2023	(1,279)	(1,280)	(1,015)	(550)	(4,124)
Net book value					
As at 30 June 2022	110	95	4	3,861	4,070
As at 30 June 2023	98	65	5	3,818	3,986

The above assets are classified as Level 3 of the fair value hierarchy and the fair value is determined by the Senior Master with unobservable market level inputs that are significant to the fair value measurement (Notes 2(B) and (E)).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 18. Cash flow information

For the purposes of the cash flow statements, cash includes cash on hand and in banks, net of outstanding overdrafts (nil). Cash at the end of the financial year, as shown in the cash flow statements, is consistent with cash and deposits as in the balance sheets.

Reconciliation of net result for period to cash flows from operating activities

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net result for the period	161	73	20,697	13,628	35,745	74,196	(21)	444	-	-
Plus/(minus) non-cash items:										
Depreciation and amortisation	-	-	-	-	-	-	590	261	-	-
Dividends reinvested during the year	-	-	-	-	-	(832)	-	-	-	-
Realised capital (gains)/losses on investments in shares (Note 15)	-	-	-	-	(4,301)	(25,137)	-	-	-	-
(Increase)/decrease in assets										
Prepayments	-	-	-	-	-	-	(14)	16	-	-
Beneficiaries' annuity income receivable	-	-	-	-	-	-	-	-	(1)	-
Receivables	(71)	(16)	(1,075)	(418)	136	(614)	14	(90)	-	-
Increase/(decrease) in liabilities										
Beneficiaries annuity income payable	-	-	-	-	-	-	-	-	1	-
Payables	-	-	-	-	-	-	422	(2)	-	-
Provisions	-	-	-	-	-	-	(25)	219	-	-
Net cash inflow from operating activities	90	57	19,622	13,210	31,580	47,613	966	848	-	-

Note 19. Statutory reserve

The Common Funds Guarantee and Reserve Account maintains a statutory reserve at 1% of the Common Funds No. 1 & No. 2 pursuant to s113(20) of the *Supreme Court Act 1986*.

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July	-	-	-	-	-	-	9,597	9,762	-	-
Less: transferred to general reserve (Note 20)	-	-	-	-	-	-	(68)	(165)	-	-
Closing Balance at 30 June	-	-	-	-	-	-	9,529	9,597	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 20. General reserve

Equity in the assets of the Common Funds Guarantee and Reserve Account is shown as a general reserve against potential capital losses on realisation of Common Fund investments and to supplement interest distributions to Common Fund beneficiaries pursuant to s113(20) of the *Supreme Court Act 1986*.

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Opening balance at 1 July	-	-	-	-	-	-	59,242	58,633	-	-
Add: transferred from statutory reserve (Note 19)	-	-	-	-	-	-	68	165	-	-
	-	-	-	-	-	-	59,310	58,798	-	-
Add: net result	-	-	-	-	-	-	(21)	444	-	-
Closing balance at 30 June	-	-	-	-	-	-	59,289	59,242	-	-

Note 21. Investments revaluation reserve

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Opening balance at 1 July	-	-	(62,190)	43,631	-	-	(3,086)	781	-	-
Unrealised gain/(loss) of financial assets	-	-	(3,285)	(105,747)	-	-	(259)	(3,864)	-	-
Cumulative (gain)/loss transferred to the net result on sale of financial assets (Note 7[c])	-	-	(80)	(74)	-	-	76	(3)	-	-
Closing balance at 30 June	-	-	(65,555)	(62,190)	-	-	(3,269)	(3,086)	-	-

Note 22. Beneficiaries' residential properties

As part of the administration of funds held in Court for persons under disability, a request may be made to the Court for the release of funds to contribute either fully or partially towards the purchase of real estate. Upon being satisfied that the purchase is in the best interests of a beneficiary, the Court may order that a property be purchased for them. Beneficiaries' properties are predominantly residential land and dwellings.

The registered legal owners of the properties are either the Senior Master or trustees (usually two), who hold the land pursuant a declaration of trust approved by the Court. While they are the owners in law, they hold the property on trust for the beneficiary whose funds have been used to purchase the particular property. The trustees act in accordance with the Senior Master's instructions. The Certificate of Title is retained by Funds in Court for safe keeping. The initial cost of properties is deemed as fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Property purchased from funds held in Court must be insured and kept insured at a value representing full market cost of replacement. To that end, house insurance valuations for each house are carried out by qualified valuers at least once in every three-year period. The qualified valuers concurrently perform a 'restricted' valuation of the entire property (that is, land and buildings), which is a valuation made on location without access to the house itself. Properties are categorised at Level 2 of the fair value hierarchy with inputs that are directly or indirectly observable to the fair value measurement. The Senior Master believes the use of 'restricted' valuations for financial reporting purposes is sufficient for the preparation of these special purpose financial statements. 'Restricted' valuations are made, instead of full valuations, to avoid unnecessary cost to beneficiaries and to allow them 'quiet enjoyment' of their property. These 'restricted' valuations take into account local government valuations and recent sales data. Full valuations for all properties are obtained prior to their purchase or sale. The carrying value of beneficiary properties is based on their most recent full or restricted valuation. As changes in value reflect the capital appreciation of the beneficiary homes, all adjustments are recognised directly in 'amounts owing to beneficiaries'.

As at 30 June 2023 there were 515 (2022: 521) properties of which the beneficiaries' interest was valued ('restricted valuation') at \$368,447,376 (2022: \$369,722,735).

Note 23. Commitments for expenditure

The lease commitments reflect our lease obligations for leasehold premises and motor vehicles. The lease for FIC's premises at Level 5, 469 La Trobe Street was renewed on 05 November 2022 for a five-year term. Lease incentive is received as equal monthly instalments over the period of the first term. Net rental is increased annually on the anniversary of the lease commencement date. Motor vehicles are leased for minimum of two-year terms with further options for renewal. Details of these non-cancellable operating leases (inclusive of GST) are as follows:

	2023	2022
	\$	\$
Lease - No longer than 1 year	778,982	284,385
Lease - Longer than 1 year and not longer than 5 years	3,034,921	16,347
	3,813,903	300,732

Note 24. Contingent liabilities and contingent assets

No contingent liabilities or assets have been identified for the 2023 financial year (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 25. Related party transactions

No related party transactions have been identified for the 2023 financial year (2022: nil).

The Senior Master is a Judicial Member of the Supreme Court of Victoria and does not receive fees or any other remuneration from Funds in Court (2022: nil).

Note 26. Remuneration of external auditors

	2023	2022
	\$	\$
Victorian Auditor-General's Office	\$91,000	\$86,100
	\$91,000	\$86,100

Note 27. Sufficiency of funds (all funds)

Section 113(23) of the *Supreme Court Act 1986* provides that if at any time a Common Fund (except Common Fund No. 3) is insufficient to meet a proper claim on it, the amount of that claim, as far as it cannot be met from the Common Fund, must be paid out of the Consolidated Fund of the State of Victoria. To date, no claim has been made by the Senior Master in relation to insufficiency of funds.

Note 28. Sufficiency of funds (temporary deficit in Common Fund No. 2 equity)

Rising bond yields on Australian Government Bonds (2023: 3.99%, 2022: 3.69%) had a negative impact on the capital market value of bonds held in Common Fund No. 2. As at 30 June 2023, losses due to changes in fair value of financial assets were \$3.285M (Note 21).

As at 30 June 2023 there was a total unrealised loss of \$65.55M (2022: loss of \$62.19M), which has been recognised directly in equity on the balance sheet as per the accounting policy (Note 4(B)). In the event that Common Fund No. 2 is insufficient to meet a proper claim on it, the amount of that claim will be paid out of the Consolidated Fund of the State of Victoria (Note 27). The Senior Master's investment strategy is to generally hold bonds until maturity, which ensures the return of face value. At maturity/disposal, any realised gains will be transferred to the Common Funds Guarantee and Reserve Account pursuant to s113(17) of the *Supreme Court Act 1986*. At the discretion of the Senior Master, losses may be paid from the Common Funds Guarantee and Reserve Account pursuant to s113(18)(a) of the Act. Further, s113(12) of the Act ensures that any capital loss realised in Common Fund No. 2 will not affect the amount that a beneficiary is entitled to withdraw from their Common Fund account.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 29. Events subsequent to reporting date

Subsequent to 30 June 2023, no matters or circumstances have arisen that have significantly affected, or may affect significantly, the operations of the Senior Master, the results of the operations or the state of affairs in financial years subsequent to this financial year.

Note 30. Glossary of terms

Acts of Parliament

Texts of law passed by the legislative body of a jurisdiction.

Asset Management Policy

Intended to assist in meeting the day-to-day liquidity, investment management, and compliance functions for the Common Funds (and for any assets held on separate account). The Asset Management Policy also provides a framework for achieving the investment objectives of each Common Fund, as well as the overall objective of prudently managing the assets within the framework of the *Supreme Court Act 1986* to maximise the long-term income and capital growth requirements of the beneficiaries without exposing them to undue risk of permanent capital loss.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result

Total comprehensive result is the net result from operations for the period and all gains and losses recognised directly in equity.

Financial asset

A financial asset is any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability

A financial liability is any liability that is either:

- a contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is either:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial report

The financial report consists of the four primary statements, notes to the financial statements and the joint declaration by the Senior Master and General Manager. The four primary statements are comprehensive operating statements, balance sheets, statements of changes in equity, and cash flow statements.

Investment Review Panel

To assist in meeting the FIC investment objective, the Senior Master has established an Investment Review Panel to act in an advisory capacity on all investment decisions, and investment related issues. The Investment Review Panel meets on a quarterly basis, or on an as required basis.

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other changes in equity'.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from Transactions. It includes gains and losses from disposals, revaluations and impairments of non-current physical assets and fair value changes of financial instruments. In simple terms, other economic flows are changes arising from market re-measurements.

Payables

Includes short-term and long-term trade debt and accounts payable and interest payable.

Receivables

Includes short-term and long-term trade credit and accounts receivable, taxes and interest receivable.

Supplies and services

Supplies and services generally represent day-to-day running costs in the normal operations of the entity.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions as required by the *Supreme Court Act 1986*, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (for example assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.