

Senior Master of the Supreme Court of Victoria
Special purpose financial report for the year ended
30 June 2016



Comprising:

Comprehensive operating statements, balance sheets, statements of changes in equity, cash flow statements and Notes to the Financial Reports for:

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

Comprehensive operating statements for the year ended 30 June 2016

	Note	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Continuing Operations											
Income from transactions											
Interest revenue	3	904,282	522,045	34,129,335	35,300,724	260,144	228,185	2,475,381	2,305,477	-	-
Dividend revenue		-	-	-	-	24,979,434	26,649,862	-	-	-	-
Beneficiaries' annuity revenue		-	-	-	-	-	-	-	-	667,784	900,675
Administration cost recovery	4	-	-	-	-	-	-	7,856,271	7,678,792	-	-
Total income from transactions		904,282	522,045	34,129,335	35,300,724	25,239,578	26,878,047	10,331,652	9,984,269	667,784	900,675
Expenses from transactions											
Interest expense		-	-	430,510	377,940	-	-	158,752	12,010	-	-
Interest paid on closed accounts		37,361	28,996	263,147	376,862	-	-	-	-	-	-
Beneficiaries' annuity revenue transferred to Common Fund No. 2		-	-	-	-	-	-	-	-	667,784	900,675
Administration cost contribution	4	693,405	442,739	7,162,866	7,236,053	-	-	-	-	-	-
Depreciation expense	13	-	-	-	-	-	-	376,150	353,439	-	-
Administration expenses	6	-	-	-	-	-	-	9,767,566	9,447,862	-	-
Total expenses from transactions		730,766	471,735	7,856,523	7,990,855	-	-	10,302,468	9,813,311	667,784	900,675
Net result from transactions (net operating balance)		173,516	50,310	26,272,812	27,309,869	25,239,578	26,878,047	29,184	170,958	-	-
Other economic flows included in net result											
Capital gains on disposal of investments	5(a)	-	-	-	-	-	-	2,472,420	5,335,677	-	-
Capital gains on disposal of shares	11	-	-	-	-	2,640,928	8,368,482	-	-	-	-
Capital losses on disposal of investments	5(b)	-	-	-	(81,670)	-	-	(117,170)	(93,260)	-	-
Capital losses on disposal of shares	11	-	-	-	-	(398,184)	(414,251)	-	-	-	-
Net loss arising on revaluation of long service liability		-	-	-	-	-	-	(6,251)	(2,722)	-	-
Total other economic flows included in net result		-	-	-	(81,670)	2,242,744	7,954,231	2,348,999	5,239,695	-	-
Net result from continuing operations		173,516	50,310	26,272,812	27,228,199	27,482,322	34,832,278	2,378,183	5,410,653	-	-
Net result from discontinued operations		-	-	-	-	-	-	-	-	-	-
Net result		173,516	50,310	26,272,812	27,228,199	27,482,322	34,832,278	2,378,183	5,410,653	-	-
Other economic flows - other changes in equity											
Valuation gain/(losses) recognised in financial assets	20	-	-	18,909,761	6,901,451	-	-	171,686	(128,660)	-	-
Cumulative (gains)/losses transferred to net result on sale of financial assets	20,5(c)	-	-	(2,320,880)	(5,212,077)	-	-	(34,370)	51,330	-	-
Total other economic flows - other changes in equity		-	-	16,588,881	1,689,374	-	-	137,316	(77,330)	-	-
Comprehensive result		173,516	50,310	42,861,693	28,917,573	27,482,322	34,832,278	2,515,499	5,333,323	-	-

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

Balance sheets as at 30 June 2016

Note	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS										
Cash and deposits	18,938,186	7,207,224	99,008,002	59,941,941	10,870,227	9,484,542	13,244,070	10,631,975	-	-
Interest receivable	7 90,590	38,683	6,543,474	6,949,384	28,771	38,533	288,967	487,856	-	-
Annuity income receivable	7 -	-	-	-	-	-	-	-	14,588	41,880
Receivables	9 -	-	-	-	3,997,542	4,041,026	108,291	73,475	-	-
Investments	10 17,000,000	11,000,000	643,688,523	657,092,956	-	-	43,664,916	43,293,070	-	-
Shares	11 -	-	-	-	505,119,311	538,707,596	-	-	-	-
Beneficiaries' annuities held on separate account	12 -	-	-	-	-	-	-	-	1,134,326	1,314,929
	36,028,776	18,245,907	749,239,999	723,984,281	520,015,851	552,271,697	57,306,244	54,486,376	1,148,914	1,356,809
NON FINANCIAL ASSETS										
Prepayments	8 -	-	-	-	-	-	64,425	59,705	-	-
Plant and equipment	13 -	-	-	-	-	-	543,313	806,371	-	-
Beneficiaries' residential properties	12,21 -	-	-	-	-	-	-	-	265,401,665	258,116,288
	-	-	-	-	-	-	607,738	866,076	265,401,665	258,116,288
Total assets	36,028,776	18,245,907	749,239,999	723,984,281	520,015,851	552,271,697	57,913,982	55,352,452	266,550,579	259,473,097
LIABILITIES										
Payables	14 -	-	-	-	-	-	293,308	482,188	-	-
Annuity income payable to beneficiaries	14 -	-	-	-	-	-	-	-	14,588	41,880
Amounts owing to beneficiaries	15 35,937,659	18,206,739	697,298,567	689,191,178	519,984,653	552,227,737	-	-	266,535,991	259,431,217
Provisions	16 -	-	-	-	-	-	1,166,107	931,196	-	-
Total liabilities	35,937,659	18,206,739	697,298,567	689,191,178	519,984,653	552,227,737	1,459,415	1,413,384	266,550,579	259,473,097
Net assets	91,117	39,168	51,941,432	34,793,103	31,198	43,960	56,454,567	53,939,068	-	-
EQUITY										
Funds available for future distribution	91,117	39,168	9,442,315	8,882,867	31,198	43,960	-	-	-	-
Statutory reserve	18 -	-	-	-	-	-	7,852,688	7,422,303	-	-
General reserve	19 -	-	-	-	-	-	48,080,913	46,133,115	-	-
Investments revaluation reserve	20 -	-	42,499,117	25,910,236	-	-	520,966	383,650	-	-
Total equity	91,117	39,168	51,941,432	34,793,103	31,198	43,960	56,454,567	53,939,068	-	-
Commitments for expenditure	22									
Contingent liabilities & contingent assets	23									

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

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

	Funds available for future distribution \$	General reserve \$	Statutory reserve \$	Investments available for sale revaluation reserve \$	TOTAL \$
Common Fund No. 1					
Balance at 1 July 2014	48,566	-	-	-	48,566
Net result for period	50,310	-	-	-	50,310
Distribution of interest, dividends to beneficiaries	(59,708)	-	-	-	(59,708)
Balance as at 30 June 2015	39,168	-	-	-	39,168
Net result for period	173,516	-	-	-	173,516
Distribution of interest, dividends to beneficiaries	(121,567)	-	-	-	(121,567)
Balance as at 30 June 2016	91,117	-	-	-	91,117
Common Fund No. 2					
Balance at 1 July 2014	8,340,337	-	-	24,220,862	32,561,199
Net result for period	27,228,199	-	-	-	27,228,199
Distribution of interest, dividends to beneficiaries	(26,685,669)	-	-	-	(26,685,669)
Unrealised gains/(losses)	-	-	-	6,901,451	6,901,451
Realised (gains)/losses	-	-	-	(5,212,077)	(5,212,077)
Balance as at 30 June 2015	8,882,867	-	-	25,910,236	34,793,103
Net result for period	26,272,812	-	-	-	26,272,812
Distribution of interest, dividends to beneficiaries	(25,713,364)	-	-	-	(25,713,364)
Unrealised gains/(losses)	-	-	-	18,909,761	18,909,761
Realised (gains)/losses	-	-	-	(2,320,880)	(2,320,880)
Balance as at 30 June 2016	9,442,315	-	-	42,499,117	51,941,432
Common Fund No. 3					
Balance at 1 July 2014	17,022	-	-	-	17,022
Net result for period	34,832,278	-	-	-	34,832,278
Distribution of interest, dividends to beneficiaries	(26,851,109)	-	-	-	(26,851,109)
Distribution of realised capital gains on shares	(8,368,482)	-	-	-	(8,368,482)
Allocation of realised capital losses on shares	414,251	-	-	-	414,251
Balance as at 30 June 2015	43,960	-	-	-	43,960
Net result for period	27,482,322	-	-	-	27,482,322
Distribution of interest, dividends to beneficiaries	(25,252,339)	-	-	-	(25,252,339)
Distribution of realised capital gains on shares	(2,640,929)	-	-	-	(2,640,929)
Allocation of realised capital losses on shares	398,184	-	-	-	398,184
Balance as at 30 June 2016	31,198	-	-	-	31,198

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

Statements of changes in equity for the year ended 30 June 2016 (continued)

	Funds available for future distribution \$	General Reserve \$	Statutory Reserve \$	Investments Available for Sale Revaluation Reserve \$	TOTAL \$
Common Funds Guarantee and Reserve Account					
Balance at 1 July 2014	-	40,905,258	7,239,507	460,980	48,605,745
Net result for period	5,410,653	-	-	-	5,410,653
Transfers to/(from) reserves:					
Transfers from Funds available for future distribution	-	5,410,653	-	-	5,410,653
Transfers to general reserve	(5,410,653)	-	-	-	(5,410,653)
Transfer from general reserve	-	-	182,796	-	182,796
Transfer to statutory reserve	-	(182,796)	-	-	(182,796)
Investments available for sale revaluation reserve (Note 20)					
Unrealised gains/(losses)	-	-	-	(128,660)	(128,660)
Realised (gains)/losses	-	-	-	51,330	51,330
Balance as at 30 June 2015	-	46,133,115	7,422,303	383,650	53,939,068
Net result for period	2,378,183	-	-	-	2,378,183
Transfers to/(from) reserves:					
Transfers from Funds available for future distribution	-	2,378,183	-	-	2,378,183
Transfers to general reserve	(2,378,183)	-	-	-	(2,378,183)
Transfer from general reserve	-	-	430,385	-	430,385
Transfer to statutory reserve	-	(430,385)	-	-	(430,385)
Investments available for sale revaluation reserve (Note 20)					
Unrealised gains/(losses)	-	-	-	171,686	171,686
Realised (gains)/losses	-	-	-	(34,370)	(34,370)
Balance as at 30 June 2016	-	48,080,913	7,852,688	520,966	56,454,567

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

Cash flow statements for the year ended 30 June 2016

Note	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash flows from/(used in) operating activities										
Interest and dividends received	852,375	531,061	34,535,245	35,412,444	25,292,824	26,373,273	2,674,267	2,187,237	-	-
Administration cost (contribution) / recovery	(693,405)	(442,739)	(7,162,866)	(7,236,053)	-	-	7,856,271	7,678,792	-	-
Interest paid on closed accounts	(37,361)	(28,996)	(263,147)	(376,862)	-	-	-	-	-	-
Administration expenses paid	-	-	-	-	-	-	(9,767,319)	(8,944,661)	-	-
Interest expense paid	-	-	(430,510)	(377,940)	-	-	(158,752)	(12,010)	-	-
Transferred capital gains realised / (capital outgoings)	-	-	-	(81,670)	-	-	2,355,250	5,242,417	-	-
Net cash inflow from operating activities	121,609	59,326	26,678,722	27,339,919	25,292,824	26,373,273	2,959,717	6,151,775	-	-
Cash flows from/(used in) investing activities										
Investments (net)	(6,000,000)	(3,000,000)	13,404,433	(54,428,610)	(22,561,795)	(11,088,165)	(234,530)	(8,375,999)	-	-
Payments for non financial assets	-	-	-	-	-	-	(113,092)	(108,803)	(10,427,550)	(15,410,217)
Net cash flow from/(used in) investing activities	(6,000,000)	(3,000,000)	13,404,433	(54,428,610)	(22,561,795)	(11,088,165)	(347,622)	(8,484,802)	(10,427,550)	(15,410,217)
Cash flows from/(used in) financing activities										
Receipts to beneficiaries' accounts	41,697,362	13,277,761	96,106,139	95,763,201	21,528,773	23,235,877	-	-	10,595,204	9,100,238
Transfers - beneficiaries properties held on separate account	-	-	(12,949)	(6,569,507)	-	-	-	-	12,949	6,569,507
Transfers - annuities held on separate account	-	-	180,603	259,528	-	-	-	-	(180,603)	(259,528)
Payments from beneficiaries' accounts	(24,088,010)	(11,634,311)	(97,290,887)	(100,095,758)	(22,874,117)	(34,763,454)	-	-	-	-
Net cash flow from/(used in) financing activities	17,609,352	1,643,450	(1,017,094)	(10,642,536)	(1,345,344)	(11,527,577)	-	-	10,427,550	15,410,217
Net increase/(decrease) in cash held	11,730,962	(1,297,224)	39,066,061	(37,731,227)	1,385,685	3,757,531	2,612,095	(2,333,027)	-	-
Cash at beginning of the financial year	7,207,224	8,504,448	59,941,941	97,673,168	9,484,542	5,727,011	10,631,975	12,965,002	-	-
Cash at the end of the financial year	18,938,186	7,207,224	99,008,002	59,941,941	10,870,227	9,484,542	13,244,070	10,631,975	-	-

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

Notes to the financial statements

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This financial report has been prepared by stating, where appropriate, each of the five discrete funds' activities on common pages. Consolidation or aggregation of results is neither required nor appropriate.

The Senior Master, through Funds in Court (FIC), administers funds paid into Court on behalf of beneficiaries. The Senior Master is an Associate Judge and, pursuant to section 75 of the *Constitution Act 1975* (Vic), along with the Chief Justice, President of the Court of Appeal, Judges, other Associate Judges and Judicial Registrars, constitute the Court. Section 113 of the *Supreme Court Act 1986* and the *Supreme Court (General Civil Procedure) Rules 2005* govern how funds paid into Court are to be administered by the Senior Master.

Funds are paid into either 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). The Senior Master may order that portions of funds held in Common Fund No. 2 be invested in Common Fund No. 3 (which consists predominantly of shares in leading companies listed on the Australian Securities Exchange), in accordance with the Senior Master's Asset Management Policy. The Senior Master may also order that portions of funds held in Common Fund No. 2 be invested as Assets Held on Separate Account. At present, these Assets are limited to indexed annuities and beneficiaries' properties registered in the name of trustees appointed by the Senior Master but specifically identifying the individual upon whose behalf the Asset is held.

The Common Funds Guarantee and Reserve Account is used by the Senior Master to pay the administrative expenses of Funds in Court.

1. NATURE AND PURPOSE OF THE COMMON FUNDS, COMMON FUNDS GUARANTEE AND RESERVE ACCOUNT AND ASSETS HELD ON SEPARATE ACCOUNT

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.

Common Fund No. 2

The prime objective of Common Fund No. 2 is to provide the maximum return achievable subject to acceptable risk criteria 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 person *in loco parentis*;
- funds held for minors who have sustained personal injury with entitlement 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.

Common Fund No. 3

The prime objective of Common Fund No. 3 is to provide the maximum return achievable 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 taxation liability, 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.

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 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;
- 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 by the Direction of the Senior Master from this account.

Assets Held on Separate Account

Annuities

With a view to providing a hedge against inflation, a measure of capital growth, and to defer taxation liability, 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. Investments Held on Separate Account are limited to Indexed Annuities at present. Investments Held on Separate Account 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.

Beneficiaries' Residences

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 the best interests of a beneficiary 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 21.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance (refers to all funds)

The Senior Master has prepared these financial statements on the basis that the funds are non-reporting entities because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements prepared in order to meet the requirements of the *Supreme Court Act 1986*.

The financial statements have been prepared on an accrual basis and in accordance with the *Supreme Court Act 1986* and all applicable Australian Accounting Standards, including interpretations (AASs) with the exception of AASB 116 *Property Plant and Equipment* relating to the measurement of properties held on behalf of beneficiaries (refer to Note 21), AASB 139 *Financial Instruments: Recognition and Measurement* relating to investments and amounts owing to beneficiaries of Common Fund No.3 (refer Note 2(i), 2(p) and Note 11) and AASB 7 *Financial Instruments: Disclosures* as they provided complex content to the financial report and does not provide a benefit to the end users.

The accounting policies disclosed below have been determined to be appropriate to provide true and fair financial statements.

(b) Basis of preparation (refers to all funds)

The financial statements have been prepared in Australian dollars and rounded to the nearer dollar. They are based on a historical cost basis, except for:

- (a) the revaluation of financial instruments that have been recorded on a marked-to-market basis; and
- (b) the beneficiaries' residential properties which have been recorded at 'restricted' valuation. Refer to Note 2(i) and Note 21.

In the application of the AASs, the Senior Master is required to make judgements, estimates and assumptions about carrying values of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical 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. Actual results may differ from these estimates.

Judgements and assumptions made by the Senior Master in the application of AASs, that have significant effects on the financial statements and estimates relate to the fair value of residential properties, the useful lives of plant and equipment and provisions.

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.

Consistent with AASB 13 Fair Value Measurement, FIC determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, financial instruments in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

For the purpose of fair value disclosures, FIC 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 financial instruments 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; and
- Level 3 - the fair value is determined using generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

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 that 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 2016 and the comparative information presented for the year ended 30 June 2015.

(c) Scope and presentation of financial statements (refers to all funds)

Comprehensive operating statements

Income and expenses in the comprehensive operating statements are separated into either 'transactions' or 'other economic flows'. Refer to Note 27 for the definition of these terms.

Balance sheets

Items of assets and liabilities in the balance sheets are:

- rated in liquidity order;
- aggregated into financial and non-financial assets;
- disclosed as current versus non-current assets and liabilities in the notes where relevant.

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.

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*.

(d) Comprehensive operating statements – revenue and expenditure

(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 to the Common Funds. Distributions 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 (ie “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.

For the **Common Funds Guarantee and Reserve Account**, revenue is income earned from investment activities of the fund and 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 accrual basis. The revenue is credited directly on cash receipt to the individual beneficiary’s account in Common Fund No. 2.

(ii) Expenses

Employee costs at Note 6 are recognised as they are incurred and reported in the financial year to which they relate. Staff engaged in Funds in Court are employed either as Victorian Public Service (VPS) officers, supplied via the Court Services Victoria (CSV), or via a contract of employment with an agency. VPS officers 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 officers are, however, totally paid by the Senior Master to CSV with CSV responsible for all leave entitlements attributable to these staff. The Senior Master carries the values of all leave entitlements for the staff that the Senior Master employs through an employment agency.

(iii) Provisions

All non-VPS officers 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 and in each case on the terms and conditions in a further contract executed by the Senior Master, Morgan Consulting and the staff member.

Due to the contractual arrangements of staff employed pursuant to a contract between the Senior Master and Morgan Consulting, all annual and long service leave are recognised in the financial accounts of the Common Funds Guarantee and Reserve Account.

Provisions for annual leave and long service leave (LSL) are recognised when there is a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date 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 twelve 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.

(ii) LSL

Liability for LSL is recognised in the provision as either:

- Current liability – unconditional LSL (representing 7 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 7 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 benefits on-costs

Employee benefits on-costs (payroll tax, workers compensation, superannuation) are recognised and included together with Annual Leave and LSL benefits.

(e) Comprehensive result for the period

Common Fund No. 1 and Common Fund No. 2

The comprehensive results reflect the results for the period from investment activities including:

- the distributions made at 1 June to beneficiaries' accounts are recognised in equity;
- allocations of all unrealised gains and losses are recognised in equity; and
- revaluation reserves are recognised in equity.

The comprehensive results include administration cost contributions transferred to the Common Funds Guarantee and Reserve Account.

At 1 June each year, distributions are made from Common Funds No. 1 and No. 2 to the accounts of the respective beneficiaries. This is initiated by the declaration of respective interest rates by the Senior Master with the approval of the Chief Justice.

At 30 June each year there are unallocated funds that consist of net investment income (i.e. 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.

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.

Distributions (refers to Common Funds 1, 2, 3)

Distributions to beneficiaries are recognised in equity apart from Common Fund No. 3. Refer to Note 2(d)

(f) Cash and deposits (refers to all funds)

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

There were no bank overdrafts at 30 June 2016 (2015: nil).

(g) Receivables

Receivables include accrued investment income which is accounted for on an accruals basis. Receivables are subject to impairment testing as described below.

(h) 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.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

(i) Investments

Investments in **Common Fund No. 1** comprise prime bank securities.

Investments in **Common Fund No. 2** and **Common Funds Guarantee and Reserve Account** comprise State Government securities and bonds; and, prime corporate and bank securities.

Investments in **Common Fund No. 3** comprise shares in leading companies listed on the Australian Securities Exchange and prime bank securities.

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 either “available for sale”, “held to maturity” or “cash equivalent” financial assets and they are stated at fair value as guided by AASB 139. 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 detected to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the comprehensive result for the period.

Held to maturity investments include interest or yield bearing bank deposits, corporate and government securities or bonds.

Investments in Common Fund No. 3 are “available for sale”. Investments in Common Fund No. 3 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 “Amounts owing to beneficiaries” to be fair valued 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 as required by AASB 139.

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*. Losses 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 Act.

In line with AASB 13 Fair Value measurement investments are categorised at Level 1.

Interest expenses are the premiums paid on negotiable securities at time of purchase.

(j) Leased assets (refers to Common Funds Guarantee and Reserve Account)

There were no finance lease assets as at 30 June 2016 (2015: nil). Operating lease payments are recognised as an expense when incurred over the lease term.

(k) Plant and equipment and Intangible assets (refers to Common Funds Guarantee and Reserve Account)

Computer and office equipment, Leasehold improvements and Intangible assets (some computer software) are measured initially at cost and subsequently re-valued at fair value, less accumulated depreciation and any accumulated impairment. 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.

The Senior Master has considered the specific requirements relating to highest and best use, valuation premise, and principle (or most advantageous) market. In light of *AASB 13 Fair Value Measurement*, the Senior Master has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, and the assessment has not materially changed the fair values recognised. 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 (2015: \$1,000).

(l) Depreciation (refers to Common Funds Guarantee and Reserve Account)

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 expected useful life. All plant and equipment and intangible assets that has a finite useful life is depreciated. Estimates of remaining useful lives are made on an annual basis (per AASB 116). The expected useful lives are as follows:

	2015/16	2014/15
• Office equipment	4 years	4 years
• Computer equipment	2-3 years	2-3 years
• Leasehold improvements	2-7 years	3-7 years
• Intangible assets	2-3 years	Not applicable

(m) Payables (refers to Common Funds Guarantee and Reserve Account)

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

(n) Goods and services tax (refers to Common Funds Guarantee and Reserve Account)

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 included in the cash flow statement on a gross basis.

Cash flows are presented 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.

(o) Taxation treatment

Where the beneficiary is “presently entitled”, income is taxed at ordinary marginal rates in the hands of the Senior Master, pursuant to section 98 of the *Income Tax Assessment Act 1936* (ITAA) . Where no person is “presently entitled” (CF-1 only), income is taxed pursuant to section 99A of the ITAA 1936.

(p) 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).

Amounts owing to beneficiaries of Common Fund No. 3 are recognised and measured at their fair value. 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 “Amounts owing to beneficiaries” to be fair valued 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 as required by AASB 139. A liability is de-recognised when it is settled, including when the Senior Master makes a payment to a beneficiary. Assets held on Separate Account are recognised and measured at their fair value.

Notes to the financial statements for the year ended 30 June 2016

Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

3. INTEREST REVENUE

Bank account	376,023	113,721	956,059	1,592,460	260,144	228,185	112,538	115,379	-	-
Fixed interest securities	528,259	408,324	33,173,276	33,708,264	-	-	2,362,843	2,190,098	-	-
Total interest revenue	904,282	522,045	34,129,335	35,300,724	260,144	228,185	2,475,381	2,305,477	-	-

4. ADMINISTRATION COST RECOVERY/(CONTRIBUTION)

Interest transfer (to)/from pursuant to S113(16) of the Supreme Court Act. Interest was paid from the Common Funds No. 1 and No. 2 to the Common Funds Guarantee and Reserve Account.

Total administration cost recovery/(contribution)	(693,405)	(442,739)	(7,162,866)	(7,236,053)	-	-	7,856,271	7,678,792	-	-
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Notes to the financial statements for the year ended 30 June 2016

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3 *		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
5. CAPITAL GAINS AND LOSSES ON INVESTMENTS										
5(a) CAPITAL GAINS ON DISPOSAL OF INVESTMENTS										
<i>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.</i>										
Capital gains realised	-	-	2,320,880	5,293,747	-	-	151,540	41,930	-	-
Capital gains transferred (to)/from	-	-	(2,320,880)	(5,293,747)	-	-	2,320,880	5,293,747	-	-
Total Capital Gains on Disposal of Investments	-	-	-	-	-	-	2,472,420	5,335,677	-	-
5(b) CAPITAL LOSSES ON DISPOSAL OF INVESTMENTS										
<i>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.</i>										
Capital losses incurred	-	-	-	(81,670)	-	-	(117,170)	(93,260)	-	-
Capital losses transferred (to)/from	-	-	-	-	-	-	-	-	-	-
Total capital losses on disposal of investments	-	-	-	(81,670)	-	-	(117,170)	(93,260)	-	-
5(c) CUMULATIVE (GAINS)/LOSSES ON INVESTMENTS										
Cumulative (gains)/losses transferred to net result on sale of financial assets	-	-	(2,320,880)	(5,212,077)	-	-	(34,370)	51,330	-	-

* Gains/losses in relation to shares held in Common Fund No.3 are disclosed on Note 11.

Notes to the financial statements for the year ended 30 June 2016

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

6. ADMINISTRATION EXPENSES

The following expenses incurred in administering the Common Funds are paid from the Common Funds Guarantee and Reserve Account at the Senior Master's discretion and pursuant to S113(18)(c) of the Supreme Court Act 1986.

Bank charges	-	-	-	-	-	-	14,926	15,977	-	-
Computer and office equipment	-	-	-	-	-	-	91,311	128,143	-	-
Consultants fees	-	-	-	-	-	-	772,443	748,846	-	-
Employee expenses	-	-	-	-	-	-	8,123,700	7,900,031	-	-
External audit fees [Note 26]	-	-	-	-	-	-	76,500	72,500	-	-
Motor vehicles	-	-	-	-	-	-	99,554	101,336	-	-
Stationery and office supplies	-	-	-	-	-	-	52,226	54,842	-	-
General office expenditure including legal and investment costs	-	-	-	-	-	-	491,424	391,837	-	-
Training	-	-	-	-	-	-	45,482	34,350	-	-
Total administration expenses	-	-	-	-	-	-	9,767,566	9,447,862	-	-

7. INTEREST RECEIVABLE AND BENEFICIARIES' ANNUITY INCOME RECEIVABLE

Current :

Bank bill interest	-	-	-	-	-	-	-	-	-	-
Fixed interest securities	90,590	38,683	6,543,474	6,949,384	28,771	38,533	288,967	487,856	-	-
Annuities	-	-	-	-	-	-	-	-	14,588	41,880
Total interest receivable and annuities income receivable	90,590	38,683	6,543,474	6,949,384	28,771	38,533	288,967	487,856	14,588	41,880

Notes to the financial statements for the year ended 30 June 2016

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$
8. PREPAYMENTS										
Current :										
Administration expenses	-	-	-	-	-	-	64,425	59,705	-	-
Total Prepayments	-	-	-	-	-	-	64,425	59,705	-	-
9. RECEIVABLES										
Current :										
Dividends (ex dividend)	-	-	-	-	3,997,542	4,041,026	-	-	-	-
GST refunds	-	-	-	-	-	-	108,291	73,475	-	-
Total trade & other receivables	-	-	-	-	3,997,542	4,041,026	108,291	73,475	-	-
10. INVESTMENTS ON COMMON ACCOUNT AVAILABLE FOR SALE										
Investments	17,000,000	11,000,000	643,688,523	657,092,956	-	-	43,664,916	43,293,070	-	-
Total investments on common account	17,000,000	11,000,000	643,688,523	657,092,956	-	-	43,664,916	43,293,070	-	-
Comprised of										
Current (matures < 1 year)	17,000,000	11,000,000	115,000,000	50,293,000	-	-	12,000,000	11,000,000	-	-
Non current (matures > 1 year)	-	-	528,688,523	606,799,956	-	-	31,664,916	32,293,070	-	-
	17,000,000	11,000,000	643,688,523	657,092,956	-	-	43,664,916	43,293,070	-	-

Notes to the financial statements for the year ended 30 June 2016

11. SHARES AVAILABLE FOR SALE - COMMON FUND NO. 3

	2016 \$	2015 \$
Opening balance at 1 July	538,707,596	523,201,716
Shares purchased during the year	37,930,867	38,733,960
Dividends reinvested during the year	2,024,429	-
Shares (including rights issues) disposed of during the year	(17,393,501)	(27,645,796)
Capital gains from shares disposed of during the year	2,640,928	8,368,482
Capital losses from shares disposed of during the year	(398,184)	(414,251)
Realised gains offset against carry forward losses	(2,242,744)	(7,954,231)
Unrealised gains/(losses) in the market value of shares throughout the year	(56,150,080)	4,417,716
Closing balance at 30 June	<u><u>505,119,311</u></u>	<u><u>538,707,596</u></u>

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.

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.

12. ASSETS HELD ON SEPARATE ACCOUNT

	2016 \$	2015 \$
Non Current :		
Annuities		
Opening balance 1 July	1,314,929	1,574,457
Annuities disposed of during the year	-	-
Amortisation of annuities in current year	(180,603)	(259,528)
Closing balance at 30 June (historical cost)	<u><u>1,134,326</u></u>	<u><u>1,314,929</u></u>
Beneficiaries' Residential Properties		
Opening balance (at 'restricted' valuation) 1 July	258,116,288	232,251,473
Properties purchased during the year	10,427,550	15,410,217
Properties disposed during the year	(10,414,601)	(8,840,710)
Valuation movements (Note 21)	7,272,428	19,295,308
Closing balance at 30 June (at 'restricted' valuation)	<u><u>265,401,665</u></u>	<u><u>258,116,288</u></u>
Total closing balance	<u><u>266,535,991</u></u>	<u><u>259,431,217</u></u>

These investments do not form part of a Common Fund. (Refer Note 1.)

For the total closing balances for the Annuities and Residential Properties, refer to "Amounts owing to Beneficiaries" in Note 15.

Notes to the financial statements for the year ended 30 June 2016

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$
13. PLANT AND EQUIPMENT AND INTANGIBLE ASSETS										
PLANT AND EQUIPMENT										
Computer equipment	-	-	-	-	-	-	685,636	640,392	-	-
Less: accumulated depreciation	-	-	-	-	-	-	(601,088)	(566,775)	-	-
Computer equipment written down value	-	-	-	-	-	-	84,548	73,617	-	-
Office equipment	-	-	-	-	-	-	1,177,728	1,173,203	-	-
Less: accumulated depreciation	-	-	-	-	-	-	(955,987)	(806,040)	-	-
Office equipment written down value	-	-	-	-	-	-	221,741	367,163	-	-
Leasehold improvements	-	-	-	-	-	-	962,751	954,960	-	-
Less: accumulated depreciation	-	-	-	-	-	-	(740,939)	(589,369)	-	-
Leasehold improvements written down value	-	-	-	-	-	-	221,812	365,591	-	-
Total plant and equipment written down value	-	-	-	-	-	-	528,101	806,371	-	-
INTANGIBLE ASSETS										
Computer software	-	-	-	-	-	-	55,532	-	-	-
Less: accumulated depreciation	-	-	-	-	-	-	(40,320)	-	-	-
Total intangible written down value	-	-	-	-	-	-	15,212	-	-	-
Total plant and equipment and Intangible Assets written down value	-	-	-	-	-	-	543,313	806,371	-	-

Some items of software assets were re-classified from Computer Equipment to Intangible Assets. These assets with a WDV of \$2,406 were transferred with an effective date of 1 July 2015.

Reconciliations of the carrying amounts for each class of plant and equipment and Intangible Assets

	equipment \$	equipment \$	improvements \$	Assets	Total \$
Gross carrying amount:					
Balance as at 1 July 2014	575,527	1,145,813	938,412	-	2,659,752
Additions	64,865	27,390	16,548	-	108,803
Disposals	-	-	-	-	-
Balance as at 30 June 2015	640,392	1,173,203	954,960	-	2,768,555
Additions	80,010	4,525	7,791	20,766	113,092
Disposals	-	-	-	-	-
Capital transfers to intangible assets	(34,766)	-	-	34,766	-
Balance as at 30 June 2016	685,636	1,177,728	962,751	55,532	2,881,647
Accumulated Depreciation:					
Balance as at 1 July 2014	(502,125)	(663,355)	(443,265)	-	(1,608,745)
Disposals	-	-	-	-	-
Depreciation	(64,650)	(142,685)	(146,104)	-	(353,439)
Balance as at 30 June 2015	(566,775)	(806,040)	(589,369)	-	(1,962,184)
Disposals	-	-	-	-	-
Depreciation	(66,673)	(149,947)	(151,570)	(7,960)	(376,150)
Transfers to Intangible assets	32,360	-	-	(32,360)	-
Balance as at 30 June 2016	(601,088)	(955,987)	(740,939)	(40,320)	(2,338,334)
Net book value					
As at 30 June 2015	73,617	367,163	365,591	-	806,371
As at 30 June 2016	84,548	221,741	221,812	15,212	543,313

The above expected fair value is Level 3 assets - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Notes to the financial statements for the year ended 30 June 2016

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$	30 June 2016 \$	30 June 2015 \$
14. PAYABLES										
Current :										
Audit fees	-	-	-	-	-	-	53,525	42,500	-	-
Computer related	-	-	-	-	-	-	5,808	18,750	-	-
Consultants' fees	-	-	-	-	-	-	36,240	32,029	-	-
Employee costs	-	-	-	-	-	-	146,187	365,126	-	-
Other	-	-	-	-	-	-	51,548	23,783	-	-
Annuity interest	-	-	-	-	-	-	-	-	14,588	41,880
Total trade & other payables	-	-	-	-	-	-	293,308	482,188	14,588	41,880
15. AMOUNTS OWING TO BENEFICIARIES										
Current :										
Beneficiary accounts	35,937,659	18,206,739	17,474,686	16,002,877	266,388	167,488	-	-	-	-
Non Current:										
Beneficiary accounts	-	-	679,823,881	673,188,301	519,718,265	552,060,249	-	-	-	-
Residences held in trust	-	-	-	-	-	-	-	-	266,535,991	259,431,217
Total amounts owing to beneficiaries	35,937,659	18,206,739	697,298,567	689,191,178	519,984,653	552,227,737	-	-	266,535,991	259,431,217
16. PROVISIONS										
Current :										
Unconditional annual leave entitlements	-	-	-	-	-	-	414,399	293,111	-	-
Unconditional long service leave entitlements	-	-	-	-	-	-	549,641	467,398	-	-
Total Current	-	-	-	-	-	-	964,040	760,509	-	-
Current entitlements that are expected to be utilised:										
Within 12 months after end of the reporting period	-	-	-	-	-	-	414,399	293,111	-	-
More than 12 months after the end of the reporting period	-	-	-	-	-	-	549,641	467,398	-	-
	-	-	-	-	-	-	964,040	760,509	-	-
Non Current :										
Conditional long service leave entitlements	-	-	-	-	-	-	202,067	170,687	-	-
Total Non Current	-	-	-	-	-	-	202,067	170,687	-	-

The total closing balances for the provisions include on-costs of \$143,320 (2015: \$83,040) for long service leave and \$108,318 (2015: \$62,203) for annual leave.

Notes to the financial statements for the year ended 30 June 2016

17. 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 disclosed 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		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net result for the period	173,516	50,310	26,272,812	27,228,199	27,482,322	34,832,278	2,378,183	5,410,653	-	-
<i>Plus/(minus) non-cash items:</i>										
Depreciation and amortisation [Note 13]	-	-	-	-	-	-	376,150	353,439	-	-
Unrealised capital (gains)/losses on shares available for sale [Note 11]	-	-	-	-	(2,242,744)	(7,954,231)	-	-	-	-
<i>(Increase)/decrease in assets</i>										
Prepayments	-	-	-	-	-	-	(4,720)	(1,216)	-	-
Receivables	-	-	-	-	-	-	(34,816)	27,277	-	-
Beneficiaries' annuity income receivable	-	-	-	-	-	-	-	-	27,292	(11,563)
Interest and dividends receivable	(51,907)	9,016	405,910	111,720	53,246	(504,774)	198,889	(118,240)	-	-
<i>Increase/(decrease) in liabilities</i>										
Beneficiaries annuity income payable	-	-	-	-	-	-	-	-	(27,292)	11,563
Payables	-	-	-	-	-	-	(188,880)	334,985	-	-
Provisions	-	-	-	-	-	-	234,911	144,877	-	-
Net cash inflow from operating activities	121,609	59,326	26,678,722	27,339,919	25,292,824	26,373,273	2,959,717	6,151,775	-	-

Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

18. 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.

Opening balance at 1 July	-	-	-	-	-	-	7,422,303	7,239,507	-	-
Add: transferred from general reserve (Note 19)	-	-	-	-	-	-	430,385	182,796	-	-
Closing Balance at 30 June	-	-	-	-	-	-	7,852,688	7,422,303	-	-

Notes to the financial statements for the year ended 30 June 2016

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
19. GENERAL RESERVE										
<i>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.</i>										
Opening balance at 1 July	-	-	-	-	-	-	46,133,115	40,905,258	-	-
Less: transferred (to) statutory reserve [Note 18]	-	-	-	-	-	-	(430,385)	(182,796)	-	-
Add: net result	-	-	-	-	-	-	45,702,730	40,722,462	-	-
Closing balance at 30 June	-	-	-	-	-	-	48,080,913	46,133,115	-	-
20. INVESTMENTS AVAILABLE FOR SALE REVALUATION RESERVE										
Opening balance at 1 July	-	-	25,910,236	24,220,862	-	-	383,650	460,980	-	-
Unrealised gain/(loss) of financial assets	-	-	18,909,761	6,901,451	-	-	171,686	(128,660)	-	-
Cumulative (gain)/loss transferred to the net result on sale of financial assets: [Note 5(b)]	-	-	(2,320,880)	(5,212,077)	-	-	(34,370)	51,330	-	-
Cumulative (gain)/loss transferred to the net result on impairment of financial assets:	-	-	-	-	-	-	-	-	-	-
Closing balance at 30 June	-	-	42,499,117	25,910,236	-	-	520,966	383,650	-	-

Notes to the financial statements for the year ended 30 June 2016

21. THE APPLICATION OF BENEFICIARIES' FUNDS IN THE PURCHASE OF REAL ESTATE

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 the person for whom the funds are held, the Court may order that a property be purchased for a particular beneficiary. Beneficiaries' properties are predominantly residential land and dwellings, which are held on trust for beneficiaries.

The properties are each held in the name of trustees (usually two), who are the registered legal owners. While the owners in law, they hold the property on trust for the beneficiary. The trust is created or evidenced by a declaration of trust approved by the Court. The trustees act in accordance with the Senior Master's instructions. External solicitors are requested to act as trustees, and usually the trustees' firm performs the legal work involved in and following purchases. The Certificate of Title is retained by Funds in Court for safe keeping.

The properties are purchased, pursuant to the *Supreme Court Act 1986* and the *Supreme Court (General Civil Procedure) Rules 2005*, as residences for individual beneficiaries and their families. The initial cost of properties is deemed as fair value measurement. In line with AASB 13 Fair Value measurement properties are categorised at Level 2. Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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 unless impracticable.

The qualified valuers concurrently perform a 'restricted' valuation of the entire property (i.e. land and buildings), which is a valuation made on location without access to the house itself. The value of the residential beneficiary property is not determined in accordance with AASB 116 *Property, Plant and Equipment*. 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 sworn valuations for all properties are obtained prior to their purchase or sale. As fair values reflect the capital appreciation of the beneficiary homes, all adjustments are recognised directly as "amounts owing to beneficiaries".

As at 30 June 2016 there were 618 trust properties of which the beneficiaries' component was valued at \$265,401,665 (2015: 622 properties valued at \$258,116,288).

Notes to the financial statements for the year ended 30 June 2016

22. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital expenditure (2015: nil). There are no finance leases (2015: nil).

Motor vehicles are leased for two year terms. Details of these non-cancellable operating leases (inclusive of GST) are as follows:

	2016	2015
	\$	\$
No longer than 1 year	32,791	42,511
Longer than 1 year and not longer than 2 years	<u>7,785</u>	<u>13,734</u>
	<u>40,576</u>	<u>56,245</u>

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities have been identified for 2016 financial year (2015: nil).

Section 113(23) of the *Supreme Court Act 1986* gives rise to a contingent asset as it 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. However, the investments undertaken by the Senior Master are made with such prudential reserve that it is improbable that recourse to this contingent asset would eventuate.

24. RELATED PARTY TRANSACTIONS

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 (2015: nil).

25. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2016 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.

26. REMUNERATION OF EXTERNAL AUDITORS

	2016	2015
	\$	\$
Victorian Auditor-General's Office	<u>76,500</u>	<u>72,500</u>
	<u>76,500</u>	<u>72,500</u>

27. GLOSSARY OF TERMS

Comprehensive result

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

Commitments

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

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - i. to receive cash or another financial asset from another entity; or
 - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - i. 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
 - ii. 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.

Financial liability is any liability that is:

- 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
 - 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; puttable instruments classified as equity or certain liabilities arising on liquidation classified by IAS 32 as equity instruments.

Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statements, balance sheets, statements of changes in equity, and cash flow statements); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (Sept 2007), which means it may include the main financial statements and the notes.

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.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

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 and can be attributed directly to government policies.

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'.

Other economic flows

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; fair value changes of financial instruments. In simple terms other economic flows are changes arising from market re-measurements.

Payables

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

Receivables

Includes short 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, 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 (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the *Supreme Court Act 1986*.

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 Note 2 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 statements for the 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 presents fairly the financial transactions during the year ended 30 June 2016 and the financial position at 30 June 2016. We are not aware of any circumstance which would render any particulars included in the financial report to be misleading or inaccurate.

We authorise the attached financial report for issue on 24 August 2016.

ASSOCIATE JUSTICE JOHN EFTHIM
Senior Master



Melbourne
24 August 2016

GARY GEORGIOS
General Manager
Funds in Court



Melbourne
24 August 2016