

INDEPENDENT AUDITOR'S REPORT

To the Senior Master, Supreme Court of Victoria

The Financial Report

The accompanying financial report, being a special purpose financial report, for the year ended 30 June 2015 of the Senior Master of the Supreme Court of Victoria with respect to Funds In Court (FIC) which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Joint Declaration of the Senior Master and General Manager relating to Common Fund No.1, Common Fund No.2, Common Fund No. 3, Common Funds Guarantee and Reserve Accounts and Assets Held on Separate Account has been audited.

The Senior Master's Responsibility for the Financial Report

The Senior Master of the Supreme Court of Victoria is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, with the exception of AASB 116 Property, Plant and Equipment and AASB 139 Financial Instruments, and the reporting requirements of the Supreme Court Act 1986, and for such internal control as the Senior Master determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

The audit of the Senior Master of the Supreme Court of Victoria is undertaken by invitation under Section 16G of the *Audit Act 1994*. Audits by invitation are not subject to Section 3A(2) of the *Audit Act 1994* which requires me to consider matters relating to wastage, probity and financial prudence in the course of my audit. Accordingly, when conducting audits by invitation I am unable to report to Parliament on matters related to wastage, probity and financial prudence.

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Senior Master, as well as evaluating the overall presentation of the financial report.

Independent Auditor's Report (continued)

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

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Common Fund No.1, Common Fund No.2, Common Fund No.3, Common Funds Guarantee and Reserve Account and Assets Held on Separate Account as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, with the exception of AASB 116 Property, Plant and Equipment and AASB 139 Financial Instruments, and the financial reporting requirements of the *Supreme Court Act 1986*.

Basis of Accounting for Financial Report

Without modifying my opinion, I draw attention to note 2(a) to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Senior Master's financial reporting requirements. As a result, the special purpose financial report may not be suitable for another purpose.

MELBOURNE
24 August 2015


for John Doyle
Auditor-General

Senior Master of the Supreme Court of Victoria
Special purpose financial report for the year ended
30 June 2015



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 2015

	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 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$
Continuing Operations											
Income from transactions											
Interest revenue	2(d)(i).3	522,045	494,873	35,300,724	36,149,741	228,185	316,653	2,305,477	2,275,942	-	-
Dividend revenue	2(d)(i)	-	-	-	-	26,169,584	23,423,626	-	-	-	-
Beneficiaries' annuity revenue	2(d)(i)	-	-	-	-	-	-	-	-	889,112	746,812
Administration cost recovery	4	-	-	-	-	-	-	7,678,792	7,179,609	-	-
Total income from transactions		522,045	494,873	35,300,724	36,149,741	26,397,769	23,740,279	9,984,269	9,455,551	889,112	746,812
Expenses from transactions											
Interest expense	2(i)	-	-	377,940	675,838	-	-	12,010	-	-	-
Interest paid on closed accounts	2(e)	28,996	19,573	376,862	210,055	-	-	-	-	-	-
Beneficiaries' annuity revenue transferred to Common Fund No. 2	2(d)(i)	-	-	-	-	-	-	-	-	889,112	746,812
Administration cost contribution	4	442,739	384,843	7,236,053	6,794,766	-	-	-	-	-	-
Depreciation expense	2(f).13	-	-	-	-	-	-	353,439	360,418	-	-
Administration expenses	2(d)(ii).6	-	-	-	-	-	-	9,447,862	8,912,402	-	-
Total expenses from transactions		471,735	404,416	7,990,855	7,680,659	-	-	9,813,311	9,272,820	889,112	746,812
Net result from transactions (net operating balance)		50,310	90,457	27,309,869	28,469,082	26,397,769	23,740,279	170,958	182,731	-	-
Other economic flows included in net result											
Capital gains on disposal of investments	5(a)	-	-	-	-	-	-	5,335,677	39,000	-	-
Capital gains on disposal of shares		-	-	-	-	8,368,482	5,907,698	-	-	-	-
Capital losses on disposal of investments	5(b)	-	-	(81,670)	-	-	-	(93,260)	-	-	-
Capital losses on disposal of shares		-	-	-	-	(414,251)	(11,382,862)	-	-	-	-
Net loss arising on revaluation of long service liability		-	-	-	-	-	-	(2,722)	(274)	-	-
Total other economic flows included in net result		-	-	(81,670)	-	7,954,231	(5,475,164)	5,239,695	38,726	-	-
Net result from continuing operations		50,310	90,457	27,228,199	28,469,082	34,352,000	18,265,115	5,410,653	221,457	-	-
Net result from discontinued operations		-	-	-	-	-	-	-	-	-	-
Net result		50,310	90,457	27,228,199	28,469,082	34,352,000	18,265,115	5,410,653	221,457	-	-
Other economic flows - other changes in equity											
Valuation gain/(losses) recognised in financial assets	20	-	-	6,901,451	4,598,155	-	-	(128,660)	(79,020)	-	-
Cumulative (gains)/losses transferred to net result on sale of financial assets	20	-	-	(5,212,077)	(39,000)	-	-	51,330	-	-	-
Total other economic flows - other changes in equity		-	-	1,689,374	4,559,155	-	-	(77,330)	(79,020)	-	-
Comprehensive result		50,310	90,457	28,917,573	33,028,237	34,352,000	18,265,115	5,333,323	142,437	-	-

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

Balance sheets as at 30 June 2015

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 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS										
Cash and deposits	2(f), 17.3	7,207,224	8,504,448	59,941,941	97,673,168	9,484,542	5,727,011	10,631,975	12,965,002	-
Interest receivable	7	38,683	47,699	6,949,384	7,061,104	38,533	14,037	487,856	369,616	-
Annuity income receivable	7	-	-	-	-	-	-	-	-	41,880
Trade and other receivables	2(n), 9	-	-	-	-	4,041,026	3,560,748	73,475	100,752	-
Investments on common account available for sale	10	11,000,000	8,000,000	657,092,956	602,664,346	-	-	43,293,070	34,994,400	-
Shares	11	-	-	-	-	538,707,596	523,201,716	-	-	-
Beneficiaries' annuities held on separate account	12	-	-	-	-	-	-	-	-	1,314,929
		<u>18,245,907</u>	<u>16,552,147</u>	<u>723,984,281</u>	<u>707,398,618</u>	<u>552,271,697</u>	<u>532,503,512</u>	<u>54,486,376</u>	<u>48,429,770</u>	<u>1,356,809</u>
NON FINANCIAL ASSETS										
Prepayments	8	-	-	-	-	-	-	59,705	58,489	-
Plant and equipment	2(k), 2(l), 13	-	-	-	-	-	-	806,371	1,051,008	-
Beneficiaries' residential properties	12.21	-	-	-	-	-	-	-	-	258,116,288
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>866,076</u>	<u>1,109,497</u>	<u>258,116,288</u>
		<u>18,245,907</u>	<u>16,552,147</u>	<u>723,984,281</u>	<u>707,398,618</u>	<u>552,271,697</u>	<u>532,503,512</u>	<u>55,352,452</u>	<u>49,539,267</u>	<u>259,473,097</u>
Total assets										
LIABILITIES										
Trade and other payables	2(m), 14	-	-	-	-	-	-	482,188	147,203	-
Annuity income payable to beneficiaries	14	-	-	-	-	-	-	-	-	41,880
Amounts owing to beneficiaries	2(i), 15	18,206,739	16,503,581	689,191,178	674,837,419	552,227,737	532,486,490	-	-	259,431,217
Provisions	2(d)(iii), 16	-	-	-	-	-	-	931,196	786,319	-
Total liabilities		<u>18,206,739</u>	<u>16,503,581</u>	<u>689,191,178</u>	<u>674,837,419</u>	<u>552,227,737</u>	<u>532,486,490</u>	<u>1,413,384</u>	<u>933,522</u>	<u>259,473,097</u>
Net assets										
		<u>39,168</u>	<u>48,566</u>	<u>34,793,103</u>	<u>32,561,199</u>	<u>43,960</u>	<u>17,022</u>	<u>53,939,068</u>	<u>48,605,745</u>	<u>-</u>
EQUITY										
Funds available for future distribution		39,168	48,566	8,882,867	8,340,337	43,960	17,022	-	-	-
Statutory reserve	18	-	-	-	-	-	-	7,422,303	7,239,507	-
General reserve	19	-	-	-	-	-	-	46,133,115	40,905,258	-
Investments available for sale revaluation reserve	20	-	-	25,910,236	24,220,862	-	-	383,650	460,980	-
Total equity		<u>39,168</u>	<u>48,566</u>	<u>34,793,103</u>	<u>32,561,199</u>	<u>43,960</u>	<u>17,022</u>	<u>53,939,068</u>	<u>48,605,745</u>	<u>-</u>
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 2015

	Funds available for future distribution \$	General reserve \$	Statutory reserve \$	Investments available for sale revaluation reserve \$	TOTAL \$
Common Fund No. 1					
Balance at 1 July 2013	37,583	-	-	-	37,583
Net result for period	90,457	-	-	-	90,457
Distribution of interest, dividends to beneficiaries	(79,474)	-	-	-	(79,474)
Balance as at 30 June 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
Common Fund No. 2					
Balance at 1 July 2013	8,720,613	-	-	19,661,707	28,382,320
Net result for period	28,469,082	-	-	-	28,469,082
Distribution of interest, dividends to beneficiaries	(28,849,358)	-	-	-	(28,849,358)
Unrealised gains/(losses)	-	-	-	4,598,155	4,598,155
Realised (gains)/losses	-	-	-	(39,000)	(39,000)
Balance as at 30 June 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
Common Fund No. 3					
Balance at 1 July 2013	14,088	-	-	-	14,088
Net result for period	18,265,115	-	-	-	18,265,115
Distribution of interest, dividends to beneficiaries	(23,737,345)	-	-	-	(23,737,345)
Distribution of realised capital gains on shares	(5,907,698)	-	-	-	(5,907,698)
Allocation of realised capital losses on shares	11,382,862	-	-	-	11,382,862
Balance as at 30 June 2014	17,022	-	-	-	17,022
Net result for period	34,352,000	-	-	-	34,352,000
Distribution of interest, dividends to beneficiaries	(26,370,831)	-	-	-	(26,370,831)
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

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 2015 (continues)

	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 2013	-	40,969,337	6,953,971	540,000	48,463,308
Net result for period	221,457	-	-	-	221,457
Transfers to/(from) reserves:					
Transfers from Funds available for future distribution	-	221,457	-	-	221,457
Transfers to general reserve	(221,457)	-	-	-	(221,457)
Transfer from general reserve	-	-	285,536	-	285,536
Transfer to statutory reserve	-	(285,536)	-	-	(285,536)
Investments available for sale revaluation reserve (Note 20):					
Unrealised gains/(losses)	-	-	-	(79,020)	(79,020)
Realised (gains)/losses	-	-	-	-	-
Balance as at 30 June 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	-	46,133,116	7,422,303	383,650	53,939,068

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 2015

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash flows from/(used in) operating activities										
Interest and dividends received	531,061	483,502	35,412,444	36,995,859	26,373,273	23,736,614	2,187,237	2,340,653	-	-
Administration cost (contribution) / recovery	(442,739)	(384,843)	(7,236,053)	(6,794,766)	-	-	7,678,792	7,179,609	-	-
Interest paid on closed accounts	(28,996)	(19,573)	(376,862)	(210,055)	-	-	-	-	-	-
Administration expenses paid	-	-	-	-	-	-	(8,944,661)	(9,283,541)	-	-
Interest expense paid	-	-	(377,940)	(675,838)	-	-	(12,010)	-	-	-
Transferred capital gains realised / (capital outgoings)	-	-	(81,670)	-	-	-	5,242,417	39,000	-	-
Net cash inflow from operating activities	59,326	79,086	27,339,919	29,315,200	26,373,273	23,736,614	6,151,775	275,721	-	-
Cash flows from/(used in) investing activities										
Investments available for sale (net)	(3,000,000)	(1,500,000)	(54,428,610)	(16,020,889)	(11,088,165)	(13,704,066)	(8,375,999)	(4,229,435)	-	-
Payments for non financial assets	-	-	-	-	-	-	(108,803)	(317,988)	(15,410,217)	(20,082,502)
Proceeds from disposal of non financial assets	-	-	-	-	-	-	-	-	-	-
Net cash flow from/(used in) investing activities	(3,000,000)	(1,500,000)	(54,428,610)	(16,020,889)	(11,088,165)	(13,704,066)	(8,484,802)	(4,547,423)	(15,410,217)	(20,082,502)
Cash flows from/(used in) financing activities										
Receipts to beneficiaries' accounts	13,277,761	15,160,100	95,763,201	100,426,903	23,235,877	22,656,592	-	-	9,100,238	10,173,970
Transfers - beneficiaries properties held on separate account	-	-	(6,569,507)	(10,310,502)	-	-	-	-	6,569,507	10,310,502
Transfers - annuities held on separate account	-	-	259,528	401,970	-	-	-	-	(259,528)	(401,970)
Payments from beneficiaries' accounts	(11,634,311)	(9,756,477)	(100,095,758)	(95,927,882)	(34,763,454)	(32,247,817)	-	-	-	-
Net cash flow from/(used in) financing activities	1,643,450	5,403,623	(10,642,536)	(5,409,511)	(11,527,577)	(9,591,225)	-	-	15,410,217	20,082,502
Net increase/(decrease) in cash held	(1,297,224)	3,982,709	(37,731,227)	7,884,800	3,757,531	441,323	(2,333,027)	(4,271,702)	-	-
Cash at beginning of the financial year	8,504,448	4,521,739	97,673,168	89,788,368	5,727,011	5,285,688	12,965,002	17,236,704	-	-
Cash at the end 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	-	-

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

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

Net result for the period	50,310	90,457	27,228,199	28,469,082	34,352,000	18,265,115	5,410,653	221,457	-	-
<i>Plus/(minus) non-cash items:</i>										
Depreciation and amortisation	-	-	-	-	-	-	353,439	360,418	-	-
Capital (gains)/losses on shares available for sale	-	-	-	-	(7,954,231)	5,475,164	-	-	-	-
<i>(Increase)/decrease in assets</i>										
Prepayments	-	-	-	-	-	-	(1,216)	(6,948)	-	-
Trade and other receivables	-	-	-	-	-	-	27,277	127,437	-	-
Beneficiaries' annuity income receivable	-	-	-	-	-	-	-	-	(11,563)	(13)
Interest and dividends receivable	9,016	(11,371)	111,720	846,118	(24,496)	(3,665)	(118,240)	64,711	-	-
<i>Increase/(decrease) in liabilities</i>										
Beneficiaries annuity income payable	-	-	-	-	-	-	-	-	11,563	13
Trade and other payables	-	-	-	-	-	-	334,985	(838,904)	-	-
Provisions	-	-	-	-	-	-	144,877	347,549	-	-
Net cash inflow from operating activities	59,326	79,086	27,339,919	29,315,200	26,373,273	23,736,614	6,151,775	275,721	-	-

Notes to the financial statements

Note 1. Nature and purpose of the Common Funds, Common Funds Guarantee and Reserve Account and Assets Held on Separate Account.....	8
Note 2. Summary of significant accounting policies.....	10
Note 3. Interest revenue.....	19
Note 4. Administration cost recovery/(contribution).....	19
Note 5. Capital gains and losses on investments.....	20
Note 6. Administration expenses.....	21
Note 7. Interest receivable and beneficiaries' annuity income receivable.....	21
Note 8. Prepayments.....	22
Note 9. Trade and other receivables.....	22
Note 10. Investments on common account available for sale.....	22
Note 11. Shares available for sale – Common Fund No. 3	23
Note 12. Assets Held on Separate Account.....	23
Note 13. Plant and equipment – Common Fund Guarantee and Reserve Account	24
Note 14. Trade and other payables.....	25
Note 15. Amounts owing to beneficiaries.....	25
Note 16. Provisions.....	25
Note 17. Financial instruments.....	26
Note 18. Statutory reserve.....	39
Note 19. General reserve.....	39
Note 20. Investments available for sale revaluation reserve.....	39
Note 21. The application of beneficiaries' funds in the purchase of real estate.....	40
Note 22. Commitments for expenditure.....	41
Note 23. Contingent liabilities and contingent assets.....	41
Note 24. Related party transactions.....	41
Note 25. Events subsequent to reporting date.....	41
Note 26. Remuneration of external auditors.....	41
Note 27. Glossary of terms.....	42

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 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 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) and 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).

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 as explained above.

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 2015 and the comparative information presented for the year ended 30 June 2014.

(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 accruals basis. The revenue is recognised when earned and then credited directly 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. Prior to 1 July 2014 the VPS officers were supplied by the Department of Justice.

(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)

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 an original maturity of three months or less. They also include 'at call accounts' that are provided for by the asset management policy.

There were no bank overdrafts at 30 June 2015 (2014: nil).

(g) Receivables

Receivables include accrued investment income which is accounted for on an accruals basis. Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 17 *Financial Instruments*). Receivables are subject to impairment testing as described below.

(h) Impairment

At the end of each reporting period, the FIC 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 “available for sale” financial assets and they are stated at fair value. 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.

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.

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 2015 (2014: nil). Operating lease payments are recognised as an expense when incurred over the lease term.

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

Computer and office equipment and leasehold improvements 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.

FIC 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*, FIC 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 to be recognised as an asset is \$1,000 (2014: \$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 and leasehold improvements over expected useful life. All plant and equipment 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:

	2014/15	2013/14
• Office equipment	4 years	4 years
• Computer equipment	2-3 years	2-3 years
• Leasehold improvements	3-7 years	4-7 years

(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.

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 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

3. INTEREST REVENUE

Bank account	113,721	122,425	1,592,460	1,219,184	228,185	316,653	115,379	124,097	-	-
Fixed interest securities	408,324	372,448	33,708,264	34,930,557	-	-	2,190,098	2,151,845	-	-
Total interest revenue	522,045	494,873	35,300,724	36,149,741	228,185	316,653	2,305,477	2,275,942	-	-

* The disclosure between Fixed Interest and Bank Interest for 2014 has been updated to reflect interest source.

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)	(442,739)	(384,843)	(7,236,053)	(6,794,766)	-	-	7,678,792	7,179,609	-	-
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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 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

5. CAPITAL GAINS AND LOSSES ON INVESTMENTS

5(a) 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.

Capital gains realised	-	-	5,293,747	39,000	-	-	41,930	-	-	-
Capital gains transferred (to)/from	-	-	(5,293,747)	(39,000)	-	-	5,293,747	39,000	-	-
Total Capital Gains on Disposal of Investments	-	-	-	-	-	-	5,335,677	39,000	-	-

5(b) 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.

Capital losses incurred	-	-	(81,670)	-	-	-	(93,260)	-	-	-
Total capital losses on disposal of investments	-	-	(81,670)	-	-	-	(93,260)	-	-	-

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

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 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

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	-	-	-	-	-	-	15,977	14,792	-	-
Computer and office equipment	-	-	-	-	-	-	128,143	116,503	-	-
Consultants fees	-	-	-	-	-	-	748,846	683,608	-	-
Employee expenses [Note 2 (d)(ii)]	-	-	-	-	-	-	7,900,031	7,322,015	-	-
External audit fees [Note 26]	-	-	-	-	-	-	72,500	70,800	-	-
Motor vehicles [Note 2 (l), 22]	-	-	-	-	-	-	101,336	104,341	-	-
Stationery and office supplies	-	-	-	-	-	-	54,842	43,942	-	-
General office expenditure including legal and investment costs	-	-	-	-	-	-	391,837	485,415	-	-
Training	-	-	-	-	-	-	34,350	70,985	-	-
Total administration expenses	-	-	-	-	-	-	9,447,862	8,912,402	-	-

7. INTEREST RECEIVABLE AND BENEFICIARIES' ANNUITY INCOME RECEIVABLE

Fixed interest securities	38,683	47,699	6,949,384	7,061,104	38,533	14,037	487,856	369,616	-	-
Annuities	-	-	-	-	-	-	-	-	41,880	30,317
Total interest receivable and annuities income receivable	38,683	47,699	6,949,384	7,061,104	38,533	14,037	487,856	369,616	41,880	30,317

	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 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
8. PREPAYMENTS										
Administration expenses	-	-	-	-	-	-	59,705	58,489	-	-
Total Prepayments	-	-	-	-	-	-	59,705	58,489	-	-
9. TRADE AND OTHER RECEIVABLES										
Dividends (ex dividend)	-	-	-	-	4,041,026	3,560,748	-	-	-	-
GST refunds	-	-	-	-	-	-	73,475	100,752	-	-
Total trade & other receivables	-	-	-	-	4,041,026	3,560,748	73,475	100,752	-	-
10. INVESTMENTS ON COMMON ACCOUNT AVAILABLE FOR SALE										
Investments	11,000,000	8,000,000	657,092,956	602,664,346	-	-	43,293,070	34,994,400	-	-
Total investments on common account	11,000,000	8,000,000	657,092,956	602,664,346	-	-	43,293,070	34,994,400	-	-
Comprised of										
Current (matures < 1 year)	11,000,000	8,000,000	50,293,000	28,356,245	-	-	11,000,000	7,604,800	-	-
Non current (matures > 1 year)	-	-	606,799,956	574,308,102	-	-	32,293,070	27,389,600	-	-
	11,000,000	8,000,000	657,092,956	602,664,346	-	-	43,293,070	34,994,400	-	-

Refer to Note 17 for the nature and extent of risks arising from financial assets.

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

	2015	2014
	\$	\$
Opening balance at 1 July	523,201,716	462,085,065
Shares purchased during the year	38,733,960	49,146,589
Dividends reinvested during the year	-	777,103
Shares (including rights issues) disposed of during the year	(27,645,796)	(36,219,626)
Unrealised gains/(losses) in the market value of shares throughout the year	4,417,716	47,412,585
Closing balance at 30 June	538,707,596	523,201,716

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. Refer to Note 17 for the nature and extent of risks arising from financial assets.

12. ASSETS HELD ON SEPARATE ACCOUNT

	2015	2014
	\$	\$
Annuities		
Opening balance 1 July	1,574,457	2,059,427
Annuities disposed of during the year	-	(83,000)
Amortisation of annuities in current year	(259,528)	(401,970)
Closing balance at 30 June (historical cost)	1,314,929	1,574,457
Beneficiaries' Residential Properties		
Opening balance (at 'restricted' valuation) 1 July	232,251,473	220,979,406
Properties purchased during the year	15,410,217	20,082,502
Properties disposed during the year	(8,840,710)	(9,772,000)
Valuation movements	19,295,308	961,565
Closing balance at 30 June (at 'restricted' valuation)	258,116,288	232,251,473
Total closing balance	259,431,217	233,825,930

These investments do not form part of a Common Fund. (Refer Note 1.) Refer to Note 17 for the nature and extent of risks arising from financial assets. For the total closing balances for the Annuities and Residential Properties, refer to "Amounts owing to Beneficiaries" in Note 15.

	Common Funds Guarantee and Reserve Account	
	30 June 2015	30 June 2014
	\$	\$
13. PLANT AND EQUIPMENT - COMMON FUND GUARANTEE AND RESERVE ACCOUNT		
Computer equipment	640,392	575,527
Less: accumulated depreciation	(566,775)	(502,125)
Computer equipment written down value	73,617	73,402
Office equipment	1,173,203	1,145,813
Less: accumulated depreciation	(806,040)	(663,355)
Office equipment written down value	367,163	482,458
Leasehold improvements	954,960	938,412
Less: accumulated depreciation	(589,369)	(443,265)
Leasehold improvements written down value	365,591	495,147
Total plant and equipment written down value	806,371	1,051,007

Reconciliations of the carrying amounts for each class of plant and equipment:

	Computer equipment \$	Office equipment \$	Leasehold improvements \$	Total \$
Gross carrying amount:				
Balance as at 1 July 2013	539,835	1,143,378	929,116	2,612,329
Additions	35,692	2,435	9,296	47,423
Disposals	-	-	-	-
Balance as at 30 June 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
Accumulated Depreciation:				
Balance as at 1 July 2013	(428,963)	(517,678)	(301,686)	(1,248,327)
Disposals	-	-	-	-
Depreciation	(73,162)	(145,677)	(141,579)	(360,418)
Balance as at 30 June 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)
Net book value				
As at 30 June 2014	73,402	482,458	495,147	1,051,007
As at 30 June 2015	73,617	367,163	365,591	806,371

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.

	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 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$
14. TRADE AND OTHER PAYABLES										
Audit fees	-	-	-	-	-	-	42,500	35,800	-	-
Computer related	-	-	-	-	-	-	18,750	1,418	-	-
Consultants' fees	-	-	-	-	-	-	32,029	31,318	-	-
Employee costs	-	-	-	-	-	-	365,126	38,918	-	-
Other	-	-	-	-	-	-	23,783	39,749	-	-
Annuity interest	-	-	-	-	-	-	-	-	41,880	30,317
Total trade & other payables	-	-	-	-	-	-	482,188	147,203	41,880	30,317

Refer to Note 17 for the maturity analysis and the nature and extent of risks arising from payables.

15. AMOUNTS OWING TO BENEFICIARIES

Current:										
Beneficiary accounts	18,206,739	16,503,581	16,002,877	19,296,802	167,488	334,091	-	-	-	-
Non Current:										
Beneficiary accounts	-	-	673,188,301	655,540,617	552,060,249	532,152,399	-	-	-	-
Residences held in trust	-	-	-	-	-	-	-	-	259,431,217	233,825,930
Total amounts owing to beneficiaries	18,206,739	16,503,581	689,191,178	674,837,419	552,227,737	532,486,490	-	-	259,431,217	233,825,930

Refer to Note 17 for the maturity analysis and the nature and extent of risks arising from financial liabilities.

16. PROVISIONS

Current:										
Unconditional annual leave entitlements	-	-	-	-	-	-	293,111	227,191	-	-
Unconditional long service leave entitlements	-	-	-	-	-	-	467,398	438,340	-	-
Total Current	-	-	-	-	-	-	760,509	665,531	-	-
Current entitlements that are expected to be utilised:										
Within 12 months after end of the reporting period	-	-	-	-	-	-	293,111	227,191	-	-
More than 12 months after the end of the reporting period	-	-	-	-	-	-	467,398	438,340	-	-
	-	-	-	-	-	-	760,509	665,531	-	-
Non Current:										
Conditional long service leave entitlements	-	-	-	-	-	-	170,687	120,788	-	-
Total Non Current	-	-	-	-	-	-	170,687	120,788	-	-
Total Provisions	-	-	-	-	-	-	931,196	786,319	-	-

The total closing balances for the provisions include oncosts of \$83,040 (2014: \$78,489) for long service leave and \$62,203 (2014: \$35,718) for annual leave.

17. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The principal financial instruments of the Senior Master comprise:

- cash assets;
- state government securities;
- prime corporate and bank securities;
- term deposits;
- investments in equities;
- indexed annuities;
- receivables (excluding statutory receivables);
- payables (supplies and services); and
- amount owing to beneficiaries.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which incomes and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements

The financial risks in holding financial instruments are managed prudently in strict accordance with the Senior Master of the Supreme Court Victoria, Funds in Court Asset Management Policy.

The Senior Master's main financial risks include credit risk, liquidity risk, interest rate risk and equity price risk.

17. FINANCIAL INSTRUMENTS (continued)

(b) Table 17.1: Categorisation of financial instruments

	Contractual financial assets/liabilities available for sale \$	Contractual financial assets - loans and receivables \$	Contractual financial liabilities at amortised cost \$	2015 Total \$	Contractual financial assets/liabilities available for sale \$	Contractual financial assets - loans and receivables \$	Contractual financial liabilities at amortised cost \$	2014 Total \$
Common Fund No. 1								
Contractual financial assets:								
Cash and cash deposits	7,207,224	-	-	7,207,224	8,504,448	-	-	8,504,448
Interest receivable	-	38,683	-	38,683	-	47,699	-	47,699
Investments on common account available for sale	11,000,000	-	-	11,000,000	8,000,000	-	-	8,000,000
Total contractual financial assets	18,207,224	38,683	-	18,245,907	16,504,448	47,699	-	16,552,147
Contractual financial liabilities								
Amounts owing to beneficiaries (Note 15)	18,206,739	-	-	18,206,739	16,503,581	-	-	16,503,581
Total contractual financial liabilities	18,206,739	-	-	18,206,739	16,503,581	-	-	16,503,581
Common Fund No. 2								
Contractual financial assets:								
Cash and cash deposits	59,941,941	-	-	59,941,941	97,673,168	-	-	97,673,168
Interest receivable	-	6,949,384	-	6,949,384	-	7,061,104	-	7,061,104
Investments on common account available for sale	657,092,956	-	-	657,092,956	602,664,346	-	-	602,664,346
Total contractual financial assets	717,034,897	6,949,384	-	723,984,281	700,337,514	7,061,104	-	707,398,618
Contractual financial liabilities								
Amounts owing to beneficiaries (Note 15)	689,191,178	-	-	689,191,178	674,837,419	-	-	674,837,419
Total contractual financial liabilities	689,191,178	-	-	689,191,178	674,837,419	-	-	674,837,419
Common Fund No. 3								
Contractual Financial assets:								
Cash and cash deposits	9,484,542	-	-	9,484,542	5,727,011	-	-	5,727,011
Interest receivable	-	38,533	-	38,533	-	14,037	-	14,037
Trade and other receivables	-	4,041,026	-	4,041,026	-	3,560,748	-	3,560,748
Shares available for sale	538,707,596	-	-	538,707,596	523,201,716	-	-	523,201,716
Total contractual financial assets	548,192,138	4,079,559	-	552,271,697	528,928,727	3,574,785	-	532,503,512
Contractual financial liabilities								
Amounts owing to beneficiaries (Note 15)	552,227,737	-	-	552,227,737	532,486,490	-	-	532,486,490
Total contractual financial liabilities	552,227,737	-	-	552,227,737	532,486,490	-	-	532,486,490
Common Funds Guarantee & Reserve Account								
Contractual financial assets:								
Cash and cash deposits	10,631,975	-	-	10,631,975	12,965,002	-	-	12,965,002
Interest receivable	-	487,856	-	487,856	-	369,616	-	369,616
Investments on common account available for sale	43,293,070	-	-	43,293,070	34,994,400	-	-	34,994,400
Total contractual financial assets	53,925,045	487,856	-	54,412,901	47,959,402	369,616	-	48,329,018
Contractual financial liabilities								
Trade and other payables	-	-	482,188	482,188	-	-	147,203	147,203
Total contractual financial liabilities	-	-	482,188	482,188	-	-	147,203	147,203
Assets Held on Separate Account								
Contractual financial assets/liabilities:								
Beneficiaries' annuities held on separate account	1,314,929	-	-	1,314,929	1,574,457	-	-	1,574,457
Annuity income receivable	-	41,880	-	41,880	-	30,317	-	30,317
Total contractual financial assets	1,314,929	41,880	-	1,356,809	1,574,457	30,317	-	1,604,774
Contractual financial liabilities								
Annuity income payable to beneficiaries	-	-	41,880	41,880	-	-	30,317	30,317
Total contractual financial liabilities	-	-	41,880	41,880	-	-	30,317	30,317

17. FINANCIAL INSTRUMENTS (continued)

(c) Credit risk

Credit risk arises from the contractual financial assets of the Senior Master, which comprise cash and cash deposits, trade and other receivables, available-for-sale contractual financial assets, shares and indexed annuities.

The Senior Master's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Senior Master.

Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the cash at bank has been assessed as minimal, because all the amounts are held by Westpac Banking Corporation which is considered as one of the major banking corporations in Australia.

Credit risk associated with the Senior Master's contractual available-for-sale financial assets, shares and indexed annuities is minimal because it is the Senior Master's policy to deal only with entities with high credit ratings. The shares held are limited to leading Australian public companies. In addition, the Senior Master does not engage in hedging.

Credit risk associated with receivables has been assessed as minimal, because all of the balance is related to accrued interest from creditworthy investments and ex-dividends from shares in leading Australian public companies.

The Senior Master does not hold any collateral as security nor credit enhancements relating to any of the financial assets.

As at reporting date there is no event to indicate that any of the financial assets were impaired. Consideration of provision of impairment for financial assets is calculated based on past experience, and current and expected changes in client credit ratings. There are no financial assets that have had their terms renegotiated so as to prevent them from becoming past due or impaired.

There are no financial assets that are past due or impaired.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements represents the Senior Master's maximum exposure to credit risk.

17. FINANCIAL INSTRUMENTS (continued)

Table 17.2: Credit quality of contractual financial assets that are neither past due nor impaired

	Financial institutions Triple-A credit rating	Government agencies Double -A and above credit rating	Financial institutions Double-A credit rating	Financial institutions A and A+ credit rating	Financial Asset - no credit rating	2015 Total	Financial institutions Triple-A credit rating	Government agencies Double -A and above credit rating	Financial institutions Double-A credit rating	Financial institutions A and A+ credit rating	Financial Asset - no credit rating	2014 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Common Fund No. 1												
Contractual financial assets:												
Cash and deposits	-	-	-	7,207,224	-	7,207,224	-	-	-	8,504,448	-	8,504,448
Interest receivable	-	-	-	38,683	-	38,683	-	-	-	47,699	-	47,699
Investments on common account available for sale	-	-	-	11,000,000	-	11,000,000	-	-	-	8,000,000	-	8,000,000
Total contractual financial assets	-	-	-	18,245,907	-	18,245,907	-	-	-	16,552,147	-	16,552,147
Common Fund No. 2												
Contractual financial assets:												
Cash and deposits	-	-	-	59,941,941	-	59,941,941	-	-	22,581,311	75,091,857	-	97,673,168
Interest receivable	2,169,126	505,438	4,168,130	106,691	-	6,949,384	739,224	1,230,193	5,091,688	-	-	7,061,104
Investments on common account available for sale	205,099,786	47,791,210	394,113,860	10,088,100	-	657,092,956	63,092,671	104,996,780	434,574,895	-	-	602,664,346
Total contractual financial assets	207,268,912	48,296,648	398,281,990	70,136,732	-	723,984,281	63,831,895	106,226,973	462,247,893	75,091,857	-	707,398,618
Common Fund No. 3												
Contractual Financial assets:												
Cash and deposits	-	-	-	9,484,542	-	9,484,542	-	-	-	5,727,011	-	5,727,011
Interest receivable	-	-	-	38,533	-	38,533	-	-	-	14,037	-	14,037
Trade and other receivables	-	-	-	-	4,041,026	4,041,026	-	-	-	-	3,560,748	3,560,748
Shares available for sale	-	-	-	-	538,707,596	538,707,596	-	-	-	-	523,201,716	523,201,716
Total contractual financial assets	-	-	-	9,523,075	542,748,622	552,271,697	-	-	-	5,741,048	526,762,464	532,503,512
Common Funds Guarantee & Reserve Account												
Contractual financial assets:												
Cash and deposits	-	-	-	10,631,975	-	10,631,975	-	-	-	12,965,002	-	12,965,002
Interest receivable	-	24,229	396,922	66,705	-	487,856	-	33,565	299,083	36,968	-	369,616
Investments on common account available for sale	-	2,150,140	35,223,450	5,919,480	-	43,293,070	-	3,177,870	28,316,530	3,500,000	-	34,994,400
Total contractual financial assets	-	2,174,369	35,620,372	16,618,160	-	54,412,901	-	3,211,435	28,615,613	16,501,970	-	48,329,018
Assets Held on Separate Account												
Contractual financial assets:												
Annuities	-	1,314,929	-	-	-	1,314,929	-	1,574,457	-	-	-	1,574,457
Annuity income receivable	-	41,880	-	-	-	41,880	-	30,317	-	-	-	30,317
Total contractual financial assets	-	1,356,809	-	-	-	1,356,809	-	1,604,774	-	-	-	1,604,774

17. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Senior Master would be unable to meet obligations as and when they fall due. The Senior Master operates in accordance with the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Senior Master's maximum exposure to liquidity risk is the carrying amounts of the financial liabilities as disclosed in the face of the balance sheets. The Senior Master manages liquidity risk by:

- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet short term obligations; and
- holding contractual financial assets that are readily tradeable in the financial markets.

The Senior Master's objective in managing the liquidity risk is to invest with care, skill, prudence and diligence, with the view to ensuring that funds will have sufficient liquidity to meet expected cash flow requirements, while ensuring maximum funds are available for investment.

To achieve this objective, the Senior Master's policy is that the future cash flows are monitored continuously. Due to the unpredictable nature of the cash flows, as payments required to be made into and out of Court m cannot be known in advance, high quality investments are held to enable dealings in highly liquid markets.

Apart from the dispute and security amounts held in Common Fund No.1, the overwhelming amount of funds held on behalf of the beneficiaries are administered by the Senior Master in Common Fund No.2, and Common Fund No.3 for their long term interests, and can only be paid out of court pursuant to Court order.

The Senior Master's exposure to liquidity is deemed insignificant based on prior period's data and the current policy of continuous monitoring. At present, the Senior Master has significant holdings in short term investments that attract interest rates superior to 30 day bank bill rates. The levels of these short term investments deposits held are in accordance with the Senior Master's investment policy and further minimise liquidity risk exposure.

17. FINANCIAL INSTRUMENTS (continued)

Table 17.3: Interest rate exposure and ageing analysis of contractual financial assets

2015	Weighted average effective interest rate %	Carrying * amount \$	INTEREST RATE EXPOSURE			Not past due and not impaired \$	MATURITY AGEING ANALYSIS					
			Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$		Less than 1 year \$	1 - 2 years \$	2 - 3 years \$	3 - 4 years \$	4 - 5 years \$	5 + years \$
Common Fund No. 1												
<i>Financial assets:</i>												
Cash and deposits	2.29	7,207,224	2,000,000	5,207,224	-	7,207,224	7,207,224	-	-	-	-	-
Investments on common account	3.41	11,000,000	11,000,000	-	-	11,000,000	11,000,000	-	-	-	-	-
Interest receivable		38,683	-	-	38,683	38,683	38,683	-	-	-	-	-
		18,245,907	13,000,000	5,207,224	38,683	18,245,907	18,245,907	-	-	-	-	-
Common Fund No. 2												
<i>Financial assets:</i>												
Cash and deposits	2.20	59,941,941	-	59,941,941	-	59,941,941	59,941,941	-	-	-	-	-
Investments on common account	4.10	657,092,956	657,092,956	-	-	657,092,956	50,293,000	145,000,000	117,314,040	38,060,900	17,790,120	288,634,896
Interest receivable		6,949,384	-	-	6,949,384	6,949,384	6,949,384	-	-	-	-	-
		723,984,281	657,092,956	59,941,941	6,949,384	723,984,281	117,184,325	145,000,000	117,314,040	38,060,900	17,790,120	288,634,896
Common Fund No. 3												
<i>Financial assets:</i>												
Cash and deposits	2.29	9,484,542	-	9,484,542	-	9,484,542	9,484,542	-	-	-	-	-
Shares		538,707,596	-	-	538,707,596	538,707,596	-	-	-	-	-	-
Interest receivable		38,533	-	-	38,533	38,533	38,533	-	-	-	-	-
Trade and other receivables		4,041,026	-	-	4,041,026	4,041,026	4,041,026	-	-	-	-	-
		552,271,697	-	9,484,542	542,787,155	552,271,697	13,564,101	-	-	-	-	-
Common Funds Guarantee & Reserve Account												
<i>Financial assets:</i>												
Cash and deposits	2.46	10,631,975	3,500,000	7,131,975	-	10,631,975	10,631,975	-	-	-	-	-
Investments on common account	4.56	43,293,070	43,293,070	-	-	43,293,070	11,000,000	8,000,000	9,359,540	2,000,000	11,933,530	1,000,000
Interest receivable		487,856	-	-	487,856	487,856	487,856	-	-	-	-	-
		54,412,901	46,793,070	7,131,975	487,856	54,412,901	22,119,831	8,000,000	9,359,540	2,000,000	11,933,530	1,000,000
Assets Held on Separate Account												
<i>Financial assets:</i>												
Annuities held on separate account		1,314,929	-	1,314,929	-	1,314,929	-	-	-	-	-	1,314,929
Annuity income receivable		41,880	-	-	41,880	41,880	41,880	-	-	-	-	-
		1,356,809	-	1,314,929	41,880	1,356,809	41,880	-	-	-	-	1,314,929

* The carrying amount approximates fair value.

17. FINANCIAL INSTRUMENTS (continued)

Table 17.3: Interest rate exposure and ageing analysis of contractual financial assets (continued)

2014	Weighted average effective interest rate %	Carrying amount*	INTEREST RATE EXPOSURE			Not past due and not impaired	MATURITY AGEING ANALYSIS					
			Fixed interest rate	Variable interest rate	Non- interest bearing		Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 + years
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Common Fund No. 1												
<i>Financial assets:</i>												
Cash and deposits	2.96	8,504,448	4,000,000	4,504,448	-	8,504,448	8,504,448	-	-	-	-	-
Investments on common account	3.83	8,000,000	8,000,000	-	-	8,000,000	8,000,000	-	-	-	-	-
Interest receivable		47,699	-	-	47,699	47,699	47,699	-	-	-	-	-
		16,552,147	12,000,000	4,504,448	47,699	16,552,147	16,552,147	-	-	-	-	-
Common Fund No. 2												
<i>Financial assets:</i>												
Cash and deposits	2.90	97,673,168	22,581,311	75,091,857	-	97,673,168	97,673,168	-	-	-	-	-
Investments on common account	4.44	602,664,346	602,664,346	-	-	602,664,346	28,356,245	71,386,900	145,000,000	170,801,750	37,945,700	149,173,752
Interest receivable		7,061,104	-	-	7,061,104	7,061,104	7,061,104	-	-	-	-	-
		707,398,618	625,245,657	75,091,857	7,061,104	707,398,618	133,090,517	71,386,900	145,000,000	170,801,750	37,945,700	149,173,752
Common Fund No. 3												
<i>Financial assets:</i>												
Cash and deposits	2.89	5,727,011	-	5,727,011	-	5,727,011	5,727,011	-	-	-	-	-
Shares		523,201,716	-	-	523,201,716	523,201,716	-	-	-	-	-	-
Interest receivable		14,037	-	-	14,037	14,037	14,037	-	-	-	-	-
Trade and other receivables		3,560,748	-	-	3,560,748	3,560,748	3,560,748	-	-	-	-	-
		532,503,512	-	5,727,011	526,776,501	532,503,512	9,301,796	-	-	-	-	-
Common Funds Guarantee & Reserve Account												
<i>Financial assets:</i>												
Cash and deposits	2.93	12,965,002	4,500,000	8,465,002	-	12,965,002	12,965,002	-	-	-	-	-
Investments on common account	4.71	34,994,400	34,994,400	-	-	34,994,400	7,604,800	8,000,000	8,000,000	9,389,600	2,000,000	-
Interest receivable		369,616	-	-	369,616	369,616	369,616	-	-	-	-	-
		48,329,018	39,494,400	8,465,002	369,616	48,329,018	20,939,418	8,000,000	8,000,000	9,389,600	2,000,000	-
Assets Held on Separate Account												
<i>Financial assets:</i>												
Annuities held on separate account		1,574,457	-	1,574,457	-	1,574,457	-	134,296	-	-	-	1,440,160
Annuity income receivable		30,317	-	-	30,317	30,317	30,317	-	-	-	-	-
		1,604,774	-	1,574,457	30,317	1,604,774	30,317	134,296	-	-	-	1,440,160

* The carrying amount approximates fair value.

17. FINANCIAL INSTRUMENTS (continued)

Table 17.4: Interest rate exposure and maturity analysis of financial contractual financial liabilities

2015	Weighted average effective interest rate %	Carrying amount	INTEREST RATE EXPOSURE			Nominal amount	MATURITY AGEING ANALYSIS		
			Fixed interest rate	Variable interest rate	Non- interest bearing		Less than 1 month	More than 1 month to 1 year	1 year and beyond
		\$	\$	\$	\$	\$	\$	\$	\$
<u>Common Fund No. 1</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	18,206,739	-	-	18,206,739	18,206,739	-	18,206,739	-
		18,206,739	-	-	18,206,739	18,206,739	-	18,206,739	-
<u>Common Fund No. 2</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	689,191,178	-	-	689,191,178	689,191,178	-	16,002,877	673,188,301
		689,191,178	-	-	689,191,178	689,191,178	-	16,002,877	673,188,301
<u>Common Fund No. 3</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	552,227,737	-	-	552,227,737	552,227,737	-	167,488	552,060,249
		552,227,737	-	-	552,227,737	552,227,737	-	167,488	552,060,249
<u>Common Funds Guarantee & Reserve Account</u>									
<i>Financial liabilities & other payables</i>									
Trade and other payables (Note 14)	n/a	482,188	-	-	482,188	482,188	482,188	-	-
		482,188	-	-	482,188	482,188	482,188	-	-
<u>Assets Held on Separate Account</u>									
<i>Financial liabilities</i>									
Annuity income payable (Note 14)	n/a	41,880	-	-	41,880	41,880	-	41,880	-
		41,880	-	-	41,880	41,880	-	41,880	-

17. FINANCIAL INSTRUMENTS (continued)

Table 17.4: Interest rate exposure and maturity analysis of financial contractual financial liabilities (continued)

	Weighted average effective interest rate %	Carrying amount \$	INTEREST RATE EXPOSURE			Nominal amount \$	MATURITY AGEING ANALYSIS		
			Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$		Less than 1 month \$	More than 1 month to 1 year \$	1 year and beyond \$
2014									
<u>Common Fund No. 1</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	16,503,581	-	-	16,503,581	16,503,581	-	16,503,581	-
		16,503,581	-	-	16,503,581	16,503,581	-	16,503,581	-
<u>Common Fund No. 2</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	674,837,419	-	-	674,837,419	674,837,419	-	19,296,802	655,540,617
		674,837,419	-	-	674,837,419	674,837,419	-	19,296,802	655,540,617
<u>Common Fund No. 3</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	532,486,490	-	-	532,486,490	532,486,490	-	334,091	532,152,399
		532,486,490	-	-	532,486,490	532,486,490	-	334,091	532,152,399
<u>Common Funds Guarantee & Reserve Account</u>									
<i>Financial liabilities & other payables</i>									
Trade and other payables (Note 14)	n/a	147,203	-	-	147,203	147,203	147,203	-	-
		147,203	-	-	147,203	147,203	147,203	-	-
<u>Assets Held on Separate Account</u>									
<i>Financial liabilities</i>									
Annuity income payable (Note 14)	n/a	30,317	-	-	30,317	30,317	-	30,317	-
		30,317	-	-	30,317	30,317	-	30,317	-

17. FINANCIAL INSTRUMENTS (continued)

(e) Market risk

The Senior Master's exposure to market risk is through interest rate risk and other price risk associated with shares. There is no exposure to foreign currency. Objectives, policies and processes used to manage each of the risks are disclosed as follows:

(i) Interest rate risk (Table 17.5)

Exposure to interest rate risk arises through the Senior Master's available-for sale financial investments in Common Fund No. 2 and Common Fund Guarantee & Reserve Account. Minimisation of risk is achieved by maintaining a portfolio with varying maturity profiles. The Senior Master monitors the possibility that the fair value of these financial instruments could fluctuate as a result of changes in market interest rates. The Senior Master engages external professional advisers to assist with the investment decisions, as well as monitoring the true effect of the implementation of those decisions.

The objective of managing interest rate risk is to minimise and control the risks of losses due to interest rate changes and to take advantage of potential profits. The Senior Master's sources of investment advice also include an Investment Review Panel that provides advice and oversight of appropriate investment strategies. The panel includes three independent, highly respected experts on fixed interest and equity investments, each having over 20 years' experience in the funds management industry.

(ii) Share price risk (Table 17.5)

The Senior Master is exposed to equity price risk arising from equity investments in leading Australian public companies. Equity investments are held for the long-term rather than trading purposes. The Senior Master limits price risk through diversification of the equity investment portfolio. The portfolio is maintained in accordance with the model set by the Senior Master based on the recommendation of the Investment Review Panel.

(iii) Sensitivity Analysis

Taking into account past performance and future expectations, economic forecasts, and knowledge and experience of the financial markets, it is believed the following movements are 'reasonably possible' over the next 12 months.

- (a) A parallel shift of +0.5 per cent and -0.5 per cent in market interest rates (AUD); and
- (b) A parallel shift of +10 per cent and -10 per cent in the equity investments in leading Australian public companies.

Table 17.5 below discloses the impact on net result and equity for each category of financial instrument held by the Senior Master at year end as presented to key management personnel, if the above movements were to occur.

Table 17.5: Market risk exposure

<u>2015</u>		<u>INTEREST RATE RISK</u>				<u>SHARE PRICE RISK</u>			
		<u>-0.5%</u>		<u>0.5%</u>		<u>-10%</u>		<u>10%</u>	
	<u>Carrying amount</u>	<u>Net result</u>	<u>Equity</u>	<u>Net result</u>	<u>Equity</u>	<u>Net result</u>	<u>Operating statement</u>	<u>Net result</u>	<u>Operating statement</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Common Fund No. 2</u>									
<i>Financial assets</i>									
Investments on common account	657,092,956	11,593,479	11,593,479	(11,190,104)	(11,190,104)	-	-	-	-
<u>Common Fund No. 3</u>									
<i>Financial assets</i>									
Shares	538,707,596	-	-	-	-	(53,870,760)	(53,870,760)	53,870,760	53,870,760
<u>Common Funds Guarantee & Reserve Account</u>									
<i>Financial assets</i>									
Investments on common account	43,293,070	266,372	266,372	(259,108)	(259,108)	-	-	-	-
<u>2014</u>									
		<u>INTEREST RATE RISK</u>				<u>SHARE PRICE RISK</u>			
		<u>-0.5%</u>		<u>0.5%</u>		<u>-10%</u>		<u>10%</u>	
	<u>Carrying amount</u>	<u>Net result</u>	<u>Equity</u>	<u>Net result</u>	<u>Equity</u>	<u>Net result</u>	<u>Operating statement</u>	<u>Net result</u>	<u>Operating statement</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Common Fund No. 2</u>									
<i>Financial assets</i>									
Investments on common account	602,664,346	7,585,619	7,585,619	(7,332,067)	(7,332,067)	-	-	-	-
<u>Common Fund No. 3</u>									
<i>Financial assets</i>									
Shares	523,201,716	-	-	-	-	(52,320,172)	(52,320,172)	52,320,172	52,320,172
<u>Common Funds Guarantee & Reserve Account</u>									
<i>Financial Assets</i>									
Investments on common account	34,994,400	87,765	87,765	(86,075)	(86,075)	-	-	-	-

17. FINANCIAL INSTRUMENTS (continued)

(f) Fair Value

The Senior Master believes that there are no differences between the fair values and the carrying amounts reported in the financial report for financial assets and financial liabilities as at 30 June 2015 and 30 June 2014, respectively.

The fair values and net fair values of financial instrument 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.

Table 17.6: Financial assets measured at fair value

	Fair value measurement at end of reporting period using:				Fair value measurement at end of reporting period using:			
	Carrying amount as at 30 June 2015	Level 1	Level 2	Level 3	Carrying amount as at 30 June 2014	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$	\$	\$
Common Fund No. 1								
Contractual financial assets:								
Cash and deposits	7,207,224	7,207,224	-	-	8,504,448	8,504,448	-	-
Receivables - accrued investment income	38,683	38,683	-	-	47,699	47,699	-	-
Investments on common account available for sale	11,000,000	11,000,000	-	-	8,000,000	8,000,000	-	-
Total	18,245,907	18,245,907	-	-	16,552,147	16,552,147	-	-
Common Fund No. 2								
Contractual financial assets:								
Cash and deposits	59,941,941	59,941,941	-	-	97,673,168	97,673,168	-	-
Receivables - accrued investment income	6,949,384	6,949,384	-	-	7,061,104	7,061,104	-	-
Investments on common account available for sale	657,092,956	657,092,956	-	-	602,664,346	602,664,346	-	-
Total	723,984,281	723,984,281	-	-	707,398,618	707,398,618	-	-
Common Fund No. 3								
Contractual Financial assets:								
Cash and deposits	9,484,542	9,484,542	-	-	5,727,011	5,727,011	-	-
Receivables - accrued investment income	38,533	38,533	-	-	14,037	14,037	-	-
Receivables - other	4,041,026	4,041,026	-	-	3,560,748	3,560,748	-	-
Shares	538,707,596	538,707,596	-	-	523,201,716	523,201,716	-	-
Total	552,271,697	552,271,697	-	-	532,503,512	532,503,512	-	-
Common Funds Guarantee & Reserve Account								
Contractual financial assets:								
Cash and deposits	10,631,975	10,631,975	-	-	12,965,002	12,965,002	-	-
Receivables - accrued investment income	487,856	487,856	-	-	369,616	369,616	-	-
Investments on common account available for sale	43,293,070	43,293,070	-	-	34,994,400	34,994,400	-	-
Total	54,412,901	54,412,901	-	-	48,329,018	48,329,018	-	-
Assets Held on Separate Account								
Contractual financial assets:								
Annuities	1,314,929	1,314,929	-	-	1,574,457	1,574,457	-	-
Receivable - annuity income receivable	41,880	41,880	-	-	30,317	30,317	-	-
Total	1,356,809	1,356,809	-	-	1,604,774	1,604,774	-	-

	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 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$	30 June 2015 \$	30 June 2014 \$

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	-	-	-	-	-	-	7,239,507	6,953,971	-	-
Add: transferred from general reserve (Note 19)	-	-	-	-	-	-	182,796	285,536	-	-
Closing Balance at 30 June	-	-	-	-	-	-	7,422,303	7,239,507	-	-

19. 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.

Opening balance at 1 July	-	-	-	-	-	-	40,905,258	40,969,337	-	-
Less: transferred (to) statutory reserve (Note 18)	-	-	-	-	-	-	(182,796)	(285,536)	-	-
	-	-	-	-	-	-	40,722,462	40,683,801	-	-
Add: net result	-	-	-	-	-	-	5,410,653	221,457	-	-
Closing balance at 30 June	-	-	-	-	-	-	46,133,115	40,905,258	-	-

20. INVESTMENTS AVAILABLE FOR SALE REVALUATION RESERVE

Opening balance at 1 July	-	-	24,220,862	19,661,707	-	-	460,980	540,000	-	-
Unrealised gain/(loss) of financial assets	-	-	6,901,451	4,598,155	-	-	(128,660)	(79,020)	-	-
Cumulative (gain)/loss transferred to the net result on sale of financial assets:	-	-	(5,212,077)	(39,000)	-	-	51,330	-	-	-
Cumulative (gain)/loss transferred to the net result on impairment of financial assets:	-	-	-	-	-	-	-	-	-	-
Closing balance at 30 June	-	-	25,910,236	24,220,862	-	-	383,650	460,980	-	-

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 and changes in valuation are disclosed at Note 12. 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 2015 there were 622 trust properties of which the beneficiaries' component was valued at \$258,116,288 (2014: 615 properties valued at \$232,251,473).

22. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital expenditure (2014: nil). There are no finance leases (2014: nil).

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

	2015	2014
	\$	\$
No longer than 1 year	42,511	30,867
Longer than 1 year and not longer than 2 years	<u>13,734</u>	<u>8,347</u>
	<u>56,245</u>	<u>39,214</u>

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities have been identified for 2015 financial year (2014: 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 (2014: nil).

25. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2015 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

	2015	2014
	\$	\$
Victorian Auditor-General's Office	<u>72,500</u>	<u>70,800</u>
	<u>72,500</u>	<u>70,800</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*.

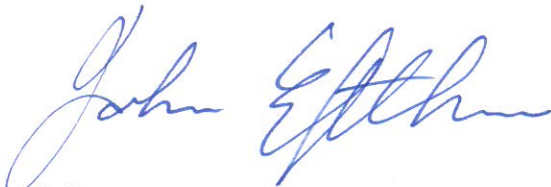
Joint Declaration of the Senior Master and General Manager

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 2015 and the financial position at 30 June 2015. 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 14 August 2015.

ASSOCIATE JUSTICE JOHN EFTHIM
Senior Master



Melbourne
14 August 2015

GARY GEORGIOS
General Manager
Funds in Court



Melbourne
14 August 2015