



Victorian Auditor-General's Office

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 2009 of the Senior Master of the Supreme Court which comprises the comprehensive operating statement, statement of financial position, statement of changes in equity, statement of cashflows, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the joint declaration of the Senior Master, Office Manager and Accounting Manager, relating to the Common Fund No.1, Common Fund No.2, Common Fund No.3, Common Funds Guarantee and Reserve Account, and Assets Held on Separate Account, has been audited.

The Senior Masters' Responsibility for the Financial Report

The Senior Master of the Supreme Court of Victoria is responsible for the preparation and the fair presentation of the financial report and has determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of the *Supreme Court Act 1986* and are appropriate to meet the needs of the users. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the special purpose financial report that is free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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. No opinion is expressed as to whether the accounting policies used, as described in Note 2, are appropriate to meet the needs of the users. The Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance 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 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.

The purpose of the financial report is to provide a record of the financial transactions and financial position of the Funds and Accounts of the Senior Master of the Supreme Court. Any assumption of responsibility for any reliance on this report or on the special purpose financial report to which it relates to any person other than the Senior Master of the Supreme Court, or for any purpose other than for which it was prepared, is disclaimed.

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

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Supreme Court of Victoria for the year ended 30 June 2009. The Supreme Court of Victoria is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited special purpose financial report to confirm the information included in the audited special purpose financial report presented on this web site.

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.

Auditor's Opinion

In my opinion the special purpose financial report presents fairly, in all material respects, the financial position of the Senior Master of the Supreme Court relating to 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 2009, and their financial performance and cash flows for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

MELBOURNE
11 September 2009


 D D R Pearson
Auditor-General

Senior Master of the Supreme Court

Financial Report
for the year ended 30 June 2009

Financial Report
for the year ended 30 June 2009

Comprising:

Comprehensive operating statement, Statement of financial position, Statement of changes in equity, Statement of cash flows and Notes to and forming part of the Financial Report 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 statement for the year ended 30 June 2009

		Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	Note	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
Continuing Operations											
Income from transactions											
Interest revenue	2(e),3	875,177	1,126,649	40,985,936	31,867,000	126,068	151,211	2,679,311	2,147,584	-	-
Dividend revenue	2(e)	-	-	-	-	11,958,910	10,452,765	-	-	-	-
Beneficiaries' annuity revenue	2(e)	-	-	-	-	-	-	-	-	1,144,478	1,072,345
Administration cost recovery	4	-	-	-	-	-	-	2,871,685	2,883,891	-	-
Total income from transactions		875,177	1,126,649	40,985,936	31,867,000	12,084,978	10,603,976	5,550,996	5,031,475	1,144,478	1,072,345
Expenses from transactions											
Interest expense	2(d)	-	-	4,344,656	69,745	-	-	522,530	-	-	-
Interest paid on closed accounts	2(f)	69,606	30,960	279,094	541,506	-	-	-	-	-	-
Beneficiaries' annuity revenue transferred to Common Fund No. 2	2(e)	-	-	-	-	-	-	-	-	1,144,478	1,072,345
Administration cost contribution	4	547,078	666,156	2,324,607	2,217,735	-	-	-	-	-	-
Bank bill interest transferred	5(c)	-	-	-	-	-	-	773,024	272,272	-	-
Depreciation expense	2(j),13	-	-	-	-	-	-	29,754	48,089	-	-
Administration expenses	6	-	-	-	-	-	-	4,874,674	3,759,887	-	-
Total expenses from transactions		616,684	697,116	6,948,357	2,828,986	-	-	6,199,982	4,080,248	1,144,478	1,072,345
<u>Net result from transactions (net operating balance)</u>		258,493	429,533	34,037,579	29,038,014	12,084,978	10,603,976	(648,986)	951,227	-	-
Other economic flows included in net result											
Capital gains on disposal of investments	5(a)	-	-	-	-	-	-	8,681,933	854,659	-	-
Capital gains on disposal of shares	11	-	-	-	-	1,090,562	1,677,526	-	-	-	-
Capital losses on disposal of investments	5(b)	-	-	(1,029,350)	(347,556)	-	-	(65,852)	(192,964)	-	-
Capital losses on disposal of shares	11	-	-	-	-	(13,222,509)	-	-	-	-	-
<u>Total other economic flows included in net result</u>		-	-	(1,029,350)	(347,556)	(12,131,947)	1,677,526	8,616,081	661,695	-	-
<u>Net result from continuing operations</u>		258,493	429,533	33,008,229	28,690,458	(46,969)	12,281,502	7,967,095	1,612,922	-	-
Net result from discontinued operations		-	-	-	-	-	-	-	-	-	-
<u>Net result</u>		258,493	429,533	33,008,229	28,690,458	(46,969)	12,281,502	7,967,095	1,612,922	-	-
Other economic flows - other changes in equity											
Valuation gain/(losses) recognised in financial assets	19	-	-	31,176,007	(6,117,543)	-	-	1,843,251	(152,170)	-	-
Cumulative (gains)/losses transferred to net result on sale of financial assets	19	-	-	(6,632,527)	(11,238)	-	-	(727,491)	30,629	-	-
Total other economic flows - other changes in equity		-	-	24,543,480	(6,128,781)	-	-	1,115,760	(121,541)	-	-
Comprehensive result		258,493	429,533	57,551,709	22,561,677	(46,969)	12,281,502	9,082,855	1,491,381	-	-

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

Statement of financial position as at 30 June 2009

		Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	Note	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
FINANCIAL ASSETS											
Cash and Cash Equivalents	2(g)	3,548,005	1,717,539	15,613,182	7,777,158	948,133	439,302	934,433	942,296	-	-
Interest Receivable	7	34,471	86,414	6,690,865	8,274,535	449	1,022	355,963	468,399	-	-
Annuity Income Receivable	7	-	-	-	-	-	-	-	-	46,874	44,825
Trade and Other Receivables	2(l),9	-	-	-	-	1,652,774	1,719,619	72,527	93,459	-	-
Investments on Common Account Available for Sale	10	13,026,582	15,049,591	569,797,075	533,197,786	169,769	161,160	42,580,954	33,518,642	-	-
Shares Available for Sale	11	-	-	-	-	266,485,169	264,836,810	-	-	-	-
Beneficiaries' Annuities Held on Separate Account	12	-	-	-	-	-	-	-	-	4,780,446	5,578,206
		<u>16,609,058</u>	<u>16,853,544</u>	<u>592,101,122</u>	<u>549,249,479</u>	<u>269,256,294</u>	<u>267,157,913</u>	<u>43,943,877</u>	<u>35,022,796</u>	<u>4,827,320</u>	<u>5,623,031</u>
NON FINANCIAL ASSETS											
Prepayments	8	-	-	-	-	-	-	9,928	13,652	-	-
Plant and Equipment	2(i),2(j),13	-	-	-	-	-	-	24,649	42,505	-	-
Beneficiaries' Residential Properties	2(m),12,20	-	-	-	-	-	-	-	-	146,836,274	122,347,806
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,577</u>	<u>56,157</u>	<u>146,836,274</u>	<u>122,347,806</u>
Total Assets		<u>16,609,058</u>	<u>16,853,544</u>	<u>592,101,122</u>	<u>549,249,479</u>	<u>269,256,294</u>	<u>267,157,913</u>	<u>43,978,454</u>	<u>35,078,953</u>	<u>151,663,594</u>	<u>127,970,837</u>
LIABILITIES											
Trade and Other Payables	2(k),14	-	-	-	-	-	-	216,496	399,850	-	-
Annuity Income Payable to Beneficiaries	2(k),14	-	-	-	-	-	-	-	-	46,874	44,825
Interest income unallocated	2(f)	42,111	112,665	7,388,871	8,314,288	6,912	5,837	-	-	-	-
Amounts owing to beneficiaries	2(d)12, 15	16,566,947	16,740,879	577,885,081	558,651,501	269,249,382	267,152,076	-	-	151,616,720	127,926,012
Total Liabilities		<u>16,609,058</u>	<u>16,853,544</u>	<u>585,273,952</u>	<u>566,965,789</u>	<u>269,256,294</u>	<u>267,157,913</u>	<u>216,496</u>	<u>399,850</u>	<u>151,663,594</u>	<u>127,970,837</u>
Net Assets		<u>-</u>	<u>-</u>	<u>6,827,170</u>	<u>(17,716,310)</u>	<u>-</u>	<u>-</u>	<u>43,761,958</u>	<u>34,679,103</u>	<u>-</u>	<u>-</u>
EQUITY											
Accumulated Surplus		-	-	-	-	-	-	-	-	-	-
Statutory reserve	17	-	-	-	-	-	-	6,087,102	5,661,030	-	-
General reserve	18	-	-	-	-	-	-	37,051,516	29,510,493	-	-
Investments available for sale revaluation reserve	19	-	-	6,827,170	(17,716,310)	-	-	623,340	(492,420)	-	-
Total Equity		<u>-</u>	<u>-</u>	<u>6,827,170</u>	<u>(17,716,310)</u>	<u>-</u>	<u>-</u>	<u>43,761,958</u>	<u>34,679,103</u>	<u>-</u>	<u>-</u>
Commitments for expenditure	21										
Contingent liabilities & contingent assets	22										

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity
for the year ended 30 June 2009

	Accumulated Surplus \$	General Reserve \$	Statutory Reserve \$	Investments Available for Sale Revaluation Reserve \$	Asset Revaluation Reserve \$	TOTAL \$
<u>Common Fund No. 1</u>						
Balance at 1 July 2007		-	-	-	-	-
Net Result for Period	429,533	-	-	-	-	429,533
Distribution of interest, dividends to beneficiaries	(429,533)	-	-	-	-	(429,533)
Balance as at 30 June 2008	-	-	-	-	-	-
Net Result for Period	258,493	-	-	-	-	258,493
Distribution of interest, dividends to beneficiaries	(258,493)	-	-	-	-	(258,493)
Balance as at 30 June 2009	-	-	-	-	-	-
<u>Common Fund No. 2</u>						
Balance at 1 July 2007	-	-	-	(11,587,529)	-	(11,587,529)
Net Result for Period	28,690,458	-	-	-	-	28,690,458
Distribution of interest, dividends to beneficiaries	(28,690,458)	-	-	-	-	(28,690,458)
Investments Available for Sale Revaluation Reserve (Note 19):	-	-	-	-	-	-
Unrealised gains/(losses)	-	-	-	(6,117,543)	-	(6,117,543)
Realised (gains)/losses	-	-	-	(11,238)	-	(11,238)
Balance as at 30 June 2008	-	-	-	(17,716,310)	-	(17,716,310)
Net Result for Period	33,008,229	-	-	-	-	33,008,229
Distribution of interest, dividends to beneficiaries	(33,008,229)	-	-	-	-	(33,008,229)
Investments Available for Sale Revaluation Reserve (Note 19):	-	-	-	-	-	-
Unrealised gains/(losses)	-	-	-	31,176,007	-	31,176,007
Realised (gains)/losses	-	-	-	(6,632,527)	-	(6,632,527)
Balance as at 30 June 2009	-	-	-	6,827,170	-	6,827,170
<u>Common Fund No. 3</u>						
Balance at 1 July 2007	-	-	-	-	-	-
Net Result for Period	12,281,502	-	-	-	-	12,281,502
Distribution of interest, dividends to beneficiaries	(10,603,976)	-	-	-	-	(10,603,976)
Distribution of realised capital gains on shares	(1,677,526)	-	-	-	-	(1,677,526)
Allocation of realised capital losses on shares	-	-	-	-	-	-
Balance as at 30 June 2008	-	-	-	-	-	-
Net Result for Period	(46,969)	-	-	-	-	(46,969)
Distribution of interest, dividends to beneficiaries	(12,084,978)	-	-	-	-	(12,084,978)
Distribution of realised capital gains on shares	(1,090,562)	-	-	-	-	(1,090,562)
Allocation of realised capital losses on shares	13,222,509	-	-	-	-	13,222,509
Balance as at 30 June 2009	-	-	-	-	-	-

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

Statement of changes in equity
for the year ended 30 June 2009
(continued)

	Accumulated Surplus \$	General Reserve \$	Statutory Reserve \$	Investments Available for Sale Revaluation Reserve \$	Asset Revaluation Reserve \$	TOTAL \$
<u>Common Funds Guarantee and Reserve Account</u>						
Balance at 1 July 2007	-	28,480,103	5,078,498	(309,621)	-	33,248,980
Net Result for Period	1,612,922	-	-	-	-	1,612,922
Transfers to/from Reserves:						-
Transfers from Accumulated Surplus	-	1,612,922	-	-	-	1,612,922
Transfers to General Reserve	(1,612,922)	-	-	-	-	(1,612,922)
Transfer from General Reserve	-	-	582,532	-	-	582,532
Transfer to Statutory Reserve	-	(582,532)	-	-	-	(582,532)
Investments Available for Sale Revaluation Reserve (Note 19):						
Unrealised gains/(losses)	-	-	-	(152,170)	-	(152,170)
Realised (gains)/losses	-	-	-	(30,629)	-	(30,629)
Balance as at 30 June 2008	-	29,510,493	5,661,030	(492,420)	-	34,679,103
Net Result for Period	7,967,095	-	-	-	-	7,967,095
Transfers to/(from) Reserves:						
Transfers from Accumulated Surplus	-	7,967,095	-	-	-	7,967,095
Transfers to General Reserve	(7,967,095)	-	-	-	-	(7,967,095)
Transfer from General Reserve	-	-	426,072	-	-	426,072
Transfer to Statutory Reserve	-	(426,072)	-	-	-	(426,072)
Investments Available for Sale Revaluation Reserve (Note 19):						
Unrealised gains/(losses)	-	-	-	1,843,251	-	1,843,251
Realised (gains)/losses	-	-	-	(727,491)	-	(727,491)
Balance as at 30 June 2009	-	37,051,516	6,087,102	623,340	-	43,761,958

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

Statement of cash flows
for the year ended 30 June 2009

Note	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008	2009 \$	2008 \$	2009 \$	2008 \$
Cash Flows from/(used in) Operating Activities										
Interest and dividends received	856,566	1,130,319	41,644,189	31,895,057	12,153,471	10,343,153	2,791,747	2,071,532	-	-
Administration cost recovery	(547,078)	(666,156)	(2,324,607)	(2,217,735)	-	-	2,871,685	2,883,891	-	-
Interest paid on closed accounts	(69,606)	(30,960)	(279,094)	(541,506)	-	-	-	-	-	-
Administration expenses	-	-	-	-	-	-	(5,033,372)	(4,261,940)	-	-
Bank Bill interest transferred	-	-	-	-	-	-	(773,024)	(272,272)	-	-
Interest expense	-	-	(4,344,656)	(69,745)	-	-	(522,530)	-	-	-
Capital gains (losses) on disposal of investments and shares	-	-	(1,029,350)	(347,556)	(12,131,947)	1,677,526	8,616,081	661,695	-	-
Net cash inflow from operating activities	<u>239,882</u>	<u>433,203</u>	<u>33,666,482</u>	<u>28,718,515</u>	<u>21,524</u>	<u>12,020,679</u>	<u>7,950,587</u>	<u>1,082,906</u>	<u>-</u>	<u>-</u>
Cash Flows from/(used in) Investing Activities										
Investments available for sale	2,023,009	(3,217,489)	(12,055,809)	(60,503,864)	(1,556,968)	15,994,601	(7,946,552)	(1,303,643)	-	-
Payments for non financial assets	13 -	-	-	-	-	-	(11,898)	(26,238)	(20,228,733)	(15,369,452)
Proceeds from disposal of non-financial assets	-	-	-	-	-	-	-	-	-	-
Net cash flow from (used in) investing activities	<u>2,023,009</u>	<u>(3,217,489)</u>	<u>(12,055,809)</u>	<u>(60,503,864)</u>	<u>(1,556,968)</u>	<u>15,994,601</u>	<u>(7,958,450)</u>	<u>(1,329,881)</u>	<u>(20,228,733)</u>	<u>(15,369,452)</u>
Cash Flows from/(used in) Financing Activities										
Receipts to beneficiaries' accounts	8,184,058	5,352,419	126,770,503	131,172,400	64,959,112	64,959,112	-	-	3,178,821	6,104,196
Transfers - beneficiaries properties held on separate account	12 -	-	(18,992,150)	(11,132,261)	-	-	-	-	18,992,150	11,132,261
Transfers - annuities held on separate account	12 -	-	1,942,158	1,867,005	-	-	-	-	(1,942,238)	(1,867,005)
Payments to beneficiaries, suppliers & contractors	(8,616,484)	(3,714,970)	(123,495,160)	(90,429,572)	(75,046,784)	(91,103,902)	-	-	-	-
	<u>(432,426)</u>	<u>1,637,449</u>	<u>(13,774,649)</u>	<u>31,477,572</u>	<u>(10,087,672)</u>	<u>(26,144,790)</u>	<u>-</u>	<u>-</u>	<u>20,228,733</u>	<u>15,369,452</u>
Net increase/(decrease) in cash held	<u>1,830,466</u>	<u>(1,146,837)</u>	<u>7,836,024</u>	<u>(307,777)</u>	<u>508,831</u>	<u>192,964</u>	<u>(7,863)</u>	<u>(246,975)</u>	<u>-</u>	<u>-</u>
Cash at beginning of the financial year	<u>1,717,539</u>	<u>2,864,376</u>	<u>7,777,158</u>	<u>8,084,935</u>	<u>439,302</u>	<u>246,338</u>	<u>942,296</u>	<u>1,189,271</u>	<u>-</u>	<u>-</u>
Cash at the end of the financial year	<u>3,548,005</u>	<u>1,717,539</u>	<u>15,613,182</u>	<u>7,777,158</u>	<u>948,133</u>	<u>439,302</u>	<u>934,433</u>	<u>942,296</u>	<u>-</u>	<u>-</u>

Reconciliation of Comprehensive Result for Period to Cash Flows from Operating Activities

For the purposes of the Statement of Cash Flows, 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 Statement of Cash Flows, is reconciled to the Cash in the Statement of Financial Position.

Inflow from Operating Activities

Net Result for the Period	258,493	429,533	-	33,008,229	28,690,458	-	(46,969)	12,281,502	-	7,967,095	1,612,922	-	-	-
Plus/(minus) non-cash items:														
Depreciation and amortisation	-	-	-	-	-	-	-	-	-	29,754	48,089	-	-	-
<i>(Increase)/Decrease in Assets</i>														
Prepayments	-	-	-	-	-	-	-	-	-	3,724	(5,661)	-	-	-
Trade and other receivables	9 -	-	-	-	-	66,845	(262,046)	20,932	(42,420)	-	-	-	-	-
Beneficiaries' annuity income receivable	7 -	-	-	-	-	-	-	-	-	-	-	(2,049)	(3,100)	-
Interest receivable	7 51,943	(28,665)	1,583,670	(2,086,601)	573	3,696	112,436	(76,052)	-	-	-	-	-	-
<i>Increase/(Decrease) in Liabilities</i>														
Beneficiaries annuity income payable	7 -	-	-	-	-	-	-	-	-	-	-	2,049	3,100	-
Trade and other payables	14 -	-	-	-	-	-	-	-	-	(183,354)	(453,972)	-	-	-
Interest income unallocated	3 (70,554)	32,335	(925,417)	2,114,658	1,075	(2,473)	-	-	-	-	-	-	-	-
Net cash inflow from operating activities	<u>239,882</u>	<u>433,203</u>	<u>33,666,482</u>	<u>28,718,515</u>	<u>21,524</u>	<u>12,020,679</u>	<u>7,950,587</u>	<u>1,082,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

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The financial statements have 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.

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 for the benefit of the beneficiaries who are not entitled presently to any part of the funds that are administered by the Senior Master.

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 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;
- dependent minors; and,
- minors having sustained personal injury with entitlement to payment out at age 18.

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.

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 Stock 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 the Senior Master's Office;
- 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 measure of capital growth, a hedge against inflation, 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 (usually constituted by the Associate Judge who is the Senior Master) 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 beneficiaries' future needs. Each property purchased from the funds in Court is held in trust for the beneficiary. Refer to Note 20.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

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 in accordance with the *Supreme Court Act 1986* and applicable Australian Accounting Standards and Interpretations (AASs) with the exception of AASB 116 *Property Plant and Equipment*. Refer to Note 2(m). The accounting policies disclosed below have been determined to be appropriate to meet the needs of users.

(b) Basis of preparation

The financial statements have been prepared 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(d) and Note 2(m).

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.

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.

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 2009 and the comparative information presented for the year ended 30 June 2008.

(c) Scope and presentation of financial statements

The Senior Master has made early adoption of the September 2007 version of AASB 101 *Presentation of Financial Statements*.

In keeping with AASB 101 (September 2007) this complete set of financial statements includes the following changes:

- 'a complete set of financial statements' rather than using 'financial report'; and
- 'changes in equity' rather than 'movements in equity'

..

Comprehensive operating statement

The comprehensive operating statement includes items previously included in the statement of changes in equity.

Income and expenses in the comprehensive operating statement are separated into either 'transactions' or 'other economic flows'.

Statement of financial position

Items of assets and liabilities in the Statement of financial position are:

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

Statement of changes in equity

The statement of changes in equity presents 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 with owners in their capacity as owners.

Statement of cash flows

The statement of cash flows classifies flows by operating, investing and financing activities in accordance with AASB 107 *Cash Flow Statements*.

(i) Investments

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

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, and bank bills.

Investments in **Common Fund No. 3** comprise shares in leading companies listed on the Australian Stock 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 statement of financial position 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.

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

Investments in Common Fund No. 3 are “available for sale”. Normally this requires unrealised gains and losses to be recognised through the “Available for Sale Revaluation Reserve”. However, both investments and beneficiaries’ liabilities in Common Fund No. 3 have been classified as fair valued in the Statement of Financial Position. This is because S113A(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”. This is achieved by recognition of unrealised gains and losses daily. This has resulted in an inconsistency with the accounting standards as amounts owing to beneficiaries are otherwise required to be valued at cost. In order to avoid an accounting mismatch, the Senior Master has taken the option in AASB 139.9(b)(i) and has not recognised the unrealised gains and losses through the “Available for Sale Revaluation Reserve” but recognised them through the Comprehensive operating statement and adjusted the values of liabilities owed to beneficiaries in the Statement of Financial Position to represent fair value.

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.

(e) Comprehensive operating statement – 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 (i.e. a time proportionate basis) plus interest from fixed interest securities and any transfers of interest from the 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 Common Fund No. 3 Constitution, dividend income from shares is accounted for on an accruals basis. Interest income from short term investment activities is accounted for on an accruals basis (i.e. on a time proportionate basis). Dividends from shares are recognised on the effective date, as announced (ie “ex-dividend”) in both the daily “unit price” and the Statement of financial position. Income distributions are made each month to “unit holders” in accordance with the Common Fund No. 3 Constitution.

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 (i.e. a time proportionate 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 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) Expenditure

The Senior Master of the Supreme Court is not an employer of staff. References to **Contractors** in this Report are to staff engaged in the Senior Master's (Funds in Court) Office and supplied by the Department of Justice. Salaries and wages, are, however, reimbursed by the Senior Master to the Department of Justice including, when taken, payments for annual leave and long service leave (LSL) attributable to Contractors.

The Department of Justice carries the values of the all annual leave and LSL entitlements attributable to Contractors. There are no provisions raised in this report as adjustments to annual leave and LSL entitlements are made with the Department of Justice at the end of each financial year through the Comprehensive operating statement.

The methodology of calculating the adjustments is as follows:

(i) Annual leave

Liabilities for annual leave are expected to be 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.

(i) LSL

Liability for LSL is recognised in the provision as either:

- Current liability – unconditional LSL (representing 7 or more years of continuous service for VPS 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 settled within 12 months; and
 - nominal value – component that is expected to be settled within 12 months.
- Non-current liability – conditional LSL (representing less than 7 years of continuous service for VPS staff) 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.

(i) Benefits on-costs

Benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and LSL accrued while on LSL taken in service) are recognised and included with LSL benefits.

(i) Comprehensive Result for the Period

Common Fund No. 1 and Common Fund No. 2

The Comprehensive Results for the Period reflect the results for the period from investment activities:

- 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 Guarantee and Reserve Account.

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

At 30 June each year there are unallocated funds that consist of net investment income (ie interest) earned and either received or receivable during June. This amount is shown as a current liability in the Statement of financial position, indicating that the funds will be distributed in some form during the following twelve months. These funds will not be allocated to beneficiaries until the following 1 June although 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.

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.

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. No. 2.

Assets Held on Separate Account

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

Distributions

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

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank. There were no outstanding bank overdrafts (2008: nil).

(h) Leased Assets

There were no finance lease assets (2008: nil). Operating lease payments are recognised as an expense on a straight line basis over the lease term.

(i) Plant and Equipment

Computer and Office equipment is stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes expenditure that is attributable directly to the acquisition of the items. The capitalisation threshold for plant and equipment to be recognised as an asset is \$1,000 (2008: \$1,000)

(j) Depreciation

Computer and Office Equipment:

Depreciation is calculated on a straight line basis to write off the net cost of each item of computer and office equipment over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

	2008/09	2007/08
• Office Equipment	4 years	4 years
• Computer Equipment	2-3 years	2-3 years

(k) Payables

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

(l) Goods and Services Tax

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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.

(m) Change in Accounting Policy

Following extended discussions, the Senior Master determined to include reference to and recognise the fair value of the real properties based on 'restricted' valuations as detailed below and at Note 20. This inclusion had the effect of increasing non-financial assets held on separate account by \$122,347,806 and also the liabilities by the same amount as at 30 June 2008.

Beneficiaries' Residential Properties

Beneficiaries' residential properties are properties purchased for beneficiaries to use as residences. Each property purchased from funds in Court is held in trust for each beneficiary. The properties (comprising land and buildings) are recognised in the *Assets Held on Separate Account* fund. The Senior Master has noted that the definition of Property Plant and Equipment in AASB 116 states: "*Property plant and equipment are tangible items that: (a) are held for use in production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one accounting period.*"

He does not consider well founded a contention that residential properties purchased for the accommodation of beneficiaries and their families or carers are Property Plant and Equipment within the definition of AASB 116.

In the absence of any formalised accounting basis for the definition, recognition and measurement, and in the interests of full disclosure and transparency, beneficiaries residential premises are:

- (a) recognised as *Assets held on Separate Account* on the face of the Statement of Financial Position; and
- (b) measured initially at cost and subsequently measured using the revaluation model, with any revaluation increases recognised as an increase in the amounts owing to beneficiaries.
- (c) measured at 'restricted' valuations, which is a valuation made on location by a qualified valuer without entry to the property. These valuations are carried out at least once every three year period. Between valuations, no formal assessment is made as to whether the carrying amount differs materially from the properties' fair values. Full valuations are made prior to the purchase or the sale of a property.
- (d) not depreciated.

Also refer to Note 20.

Notes to the financial statements
for the year ended 30 June 2009

	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 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
3. INTEREST REVENUE										
Bank Account	162,826	152,617	806,934	755,825	119,107	88,466	100,392	93,704	-	-
Bank Bills	223,803	258,834	470,838	-	-	-	75,473	145,096	-	-
Fixed Interest Securities	417,994	747,533	38,782,747	33,225,833	8,036	60,272	2,503,446	1,908,784	-	-
	804,623	1,158,984	40,060,519	33,981,658	127,143	148,738	2,679,311	2,147,584	-	-
Less: interest income unallocated-current year	(42,111)	(112,665)	(7,388,871)	(8,314,288)	(6,912)	(5,837)	-	-	-	-
Add: interest income unallocated-prior year	112,665	80,330	8,314,288	6,199,630	5,837	8,310	-	-	-	-
Total Interest Revenue	875,177	1,126,649	40,985,936	31,867,000	126,068	151,211	2,679,311	2,147,584	-	-
4. ADMINISTRATION COST RECOVERY/(CONTRIBUTION)										
<i>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.</i>										
Total Interest Rebate	(547,078)	(666,156)	(2,324,607)	(2,217,735)	-	-	2,871,685	2,883,891	-	-

Notes to the financial statements for the year ended 30 June 2009

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 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

5. GAINS AND LOSSES ON INVESTMENTS

5(a) 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	226,713	272,272	7,661,877	358,794	-	-	793,343	223,593	-	-
Capital Gains transferred (to)/from	(226,713)	(272,272)	(7,661,877)	(358,794)	-	-	7,888,590	631,066	-	-
Total Capital Gains on Disposal of Investments	-	-	-	-	-	-	8,681,933	854,659	-	-

5(b) LOSS 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	-	-	(1,029,350)	(347,556)	-	-	(65,852)	(192,964)	-	-
Capital Losses transferred (to)/from	-	-	-	-	-	-	-	-	-	-
Total Capital Losses on Disposal of Investments	-	-	(1,029,350)	(347,556)	-	-	(65,852)	(192,964)	-	-

5(c) BANK BILL INTEREST TRANSFERRED

The Senior Master may exercise authority, pursuant to S113(20) of the Supreme Court Act, to transfer capital profits [Note 5(a)] back from the Common Funds Guarantee and Reserve Account to a Common Fund Account. This authority was exercised during the year for Common Fund Bank Bill capital profits, i.e., receipts in the nature of interest. [Bank Bill Interest at Note 3 is different from the disclosure in this Note as Note 3 reports interest on a receivable (accruals) basis while this Note reports the actual transfers of interest made upon maturity.]

Total Bank Bill Interest Transferred	226,713	272,272	470,838	-	-	-	(773,024)	(272,272)	-	-
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Notes to the financial statements
for the year ended 30 June 2009

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 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2,009	30 June 2008	30 June 2009	30 June 2008
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

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.

Bank charges	-	-	-	-	-	-	14,731	13,797	-	-
Books publications and subscriptions	-	-	-	-	-	-	22,306	19,682	-	-
Client liaison and office travel	-	-	-	-	-	-	11,600	6,471	-	-
Computer and office equipment	-	-	-	-	-	-	133,656	135,623	-	-
Consultants fees	-	-	-	-	-	-	852,225	710,608	-	-
Contractors [Notes 2(e)]	-	-	-	-	-	-	3,554,958	2,587,783	-	-
External audit fees	-	-	-	-	-	-	54,440	48,000	-	-
Motor vehicles [Note 2 (h), 21]	-	-	-	-	-	-	104,977	82,184	-	-
Postage	-	-	-	-	-	-	24,567	16,691	-	-
Stationery and office supplies	-	-	-	-	-	-	25,761	29,299	-	-
Sundries including legal and investment costs	-	-	-	-	-	-	42,281	76,469	-	-
Training	-	-	-	-	-	-	33,172	33,280	-	-
Total Administration Expenses	-	-	-	-	-	-	4,874,674	3,759,887	-	-

7. INTEREST RECEIVABLE AND BENEFICIARIES' ANNUITY INCOME RECEIVABLE AND PAYABLE

Bank Bills Interest	-	2,909	-	-	-	-	-	-	-	-
Fixed Interest Securities	34,471	83,505	6,690,865	8,274,535	449	1,022	355,963	468,399	-	-
Annuities	-	-	-	-	-	-	-	-	46,874	44,825
Total Interest Receivable and Annuities Income Receivable and Payable	34,471	86,414	6,690,865	8,274,535	449	1,022	355,963	468,399	46,874	44,825

Notes to the financial statements
for the year ended 30 June 2009

	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 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
8. PREPAYMENTS										
Administration Expenses	-	-	-	-	-	-	9,928	13,652	-	-
Total Prepayments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,928</u>	<u>13,652</u>	<u>-</u>	<u>-</u>
9. TRADE AND OTHER RECEIVABLES										
Dividends	-	-	-	-	1,652,774	1,719,619	-	-	-	-
GST imputation credits	-	-	-	-	-	-	72,527	93,459	-	-
Total trade & other receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,652,774</u>	<u>1,719,619</u>	<u>72,527</u>	<u>93,459</u>	<u>-</u>	<u>-</u>
10. INVESTMENTS ON COMMON ACCOUNT AVAILABLE FOR SALE										
Bank Bills	-	1,990,037	-	-	-	-	-	-	-	-
Fixed Interest Securities	13,026,582	13,059,554	569,797,075	533,197,786	169,769	161,160	42,580,954	33,518,642	-	-
Total Investments on Common Account	<u>13,026,582</u>	<u>15,049,591</u>	<u>569,797,075</u>	<u>533,197,786</u>	<u>169,769</u>	<u>161,160</u>	<u>42,580,954</u>	<u>33,518,642</u>	<u>-</u>	<u>-</u>
Comprised of										
Current (matures < 1 year)	13,026,582	15,049,591	121,706,449	196,424,866	169,769	161,160	11,495,314	17,954,222	-	-
Non Current (matures > 1 year)	-	-	448,090,626	336,772,920	-	-	31,085,640	15,564,420	-	-
	<u>13,026,582</u>	<u>15,049,591</u>	<u>569,797,075</u>	<u>533,197,786</u>	<u>169,769</u>	<u>161,160</u>	<u>42,580,954</u>	<u>33,518,642</u>	<u>-</u>	<u>-</u>

Refer to Note 16 for the nature and extent of risks arising from financial assets.

Notes to the financial statements for the year ended 30 June 2009

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

	2009 \$	2008 \$
Opening Balance	264,836,810	280,095,379
Shares purchased during the year	52,499,907	20,115,901
Dividends reinvested during the year	3,470,674	-
Shares disposed of during the year - cost	(6,983,108)	(2,047,813)
Capital gains from shares disposed of during the year	1,090,562	1,677,526
Capital losses from shares disposed of during the year	(13,222,509)	-
Unrealised gains/(losses) in the market value of shares throughout the year	(35,207,167)	(35,004,183)
Closing balance at 30 June	266,485,169	264,836,810

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 16 for the nature and extent of risks arising from financial assets.

12. ASSETS HELD ON SEPARATE ACCOUNT

	2009 \$	2008 \$
Annuities		
Opening Balance	5,578,206	6,375,966
Annuities purchased during the year	-	-
Annuities disposed of during the year	-	-
Amortisation of annuities in current year	(797,760)	(797,760)
Closing balance at 30 June (historical cost)	4,780,446	5,578,206
Beneficiaries' Residential Properties		
Opening Balance (at 'restricted' valuation)	122,157,806	110,148,656
Properties purchased during the year	20,228,733	15,369,452
Properties disposed during the year	(1,236,583)	(4,237,191)
Revaluation increment/(decrement)	5,686,318	1,066,889
Closing balance at 30 June (at 'restricted' values)	146,836,274	122,347,806

These investments do not form part of a Common Fund. (Refer Note 1.) Refer to Note 16 for the nature and extent of risks arising from financial assets.

Notes to the financial statements
for the year ended 30 June 2009

	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 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
13. PLANT AND EQUIPMENT										
Computer Equipment	-	-	-	-	-	-	281,560	285,176	-	-
Less: Accumulated Depreciation	-	-	-	-	-	-	(258,328)	(244,603)	-	-
Computer Equipment Written Down Value	-	-	-	-	-	-	23,232	40,573	-	-
Office Equipment	-	-	-	-	-	-	91,623	91,623	-	-
Less: Accumulated Depreciation	-	-	-	-	-	-	(90,206)	(89,691)	-	-
Office Equipment Written Down Value	-	-	-	-	-	-	1,417	1,932	-	-
Total Plant and Equipment Written Down Value	-	-	-	-	-	-	24,649	42,505	-	-

Reconciliations of the carrying amounts for each class
of Property, Plant and Equipment:

	Computer Equipment \$	Office Equipment \$	Total \$
Gross Carrying Amount:			
Balance as at 1 July 2007	300,097	89,563	389,660
Additions	24,178	2,060	26,238
Disposals	(39,100)	-	(39,100)
Balance as at 1 July 2008	285,175	91,623	376,798
Additions	11,898	-	11,898
Disposals	(15,513)	-	(15,513)
Balance as at 30 June 2009	281,560	91,623	373,183
Accumulated Depreciation:			
Balance as at 1 July 2007	(245,504)	(79,800)	(325,304)
Disposals	39,100	-	39,100
Depreciation	(38,198)	(9,891)	(48,089)
Balance as at 1 July 2008	(244,602)	(89,691)	(334,293)
Disposals	15,513	-	15,513
Depreciation	(29,239)	(515)	(29,754)
Balance as at 30 June 2009	(258,328)	(90,206)	(348,534)
Net book value			
As at 30 June 2008	40,573	1,932	42,505
As at 30 June 2009	23,232	1,417	24,649

Notes to the financial statements
for the year ended 30 June 2009

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarante and Reserve Account		Assets Held on Separate Account	
	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$	30 June 2009 \$	30 June 2008 \$
14. TRADE AND OTHER PAYABLES										
Audit Fees	-	-	-	-	-	-	18,040	41,470	-	-
Computer Related	-	-	-	-	-	-	5,013	831	-	-
Consultancy	-	-	-	-	-	-	27,415	48,371	-	-
Contractors	-	-	-	-	-	-	149,028	283,918	-	-
Fixed Assets	-	-	-	-	-	-	-	13,014	-	-
Other	-	-	-	-	-	-	17,000	12,246	-	-
Annuity Interest	-	-	-	-	-	-	-	-	46,874	44,825
Total trade & other payables	-	-	-	-	-	-	216,496	399,850	46,874	44,825

Refer to Note 16 for the maturity analysis and the nature and extent of risks arising from payables.

15. AMOUNTS OWING TO BENEFICIARIES

Current (payable < 1 year)	16,566,947	16,740,879	18,332,266	14,761,235	1,486,754	552,927	-	-	-	-
Non Current (payable > 1 year)	-	-	559,552,815	543,890,266	267,762,628	266,599,149	-	-	151,616,720	127,926,012
Total Amounts Owing to Beneficiaries	16,566,947	16,740,879	577,885,081	558,651,501	269,249,382	267,152,076	-	-	151,616,720	127,926,012

Refer to Note 16 for the maturity analysis and the nature and extent of risks arising from financial liabilities.

Notes to and forming part of the accounts
for the year ended 30 June 2009

16. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The principal financial instruments of the Senior Master comprise:

- . cash assets;
- . bank bills;
- . state government securities;
- . prime corporate and bank securities;
- . term deposits;
- . investments in equities;
- . indexed annuities;
- . receivables; and
- . payables.

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 and disclosed in Note 2 to the financial statements

The main purpose in holding financial instruments is to manage prudently the financial risks within the Senior Master's Asset Management Policy.

Notes to and forming part of the accounts
for the year ended 30 June 2009

16. FINANCIAL INSTRUMENTS (continued)

(b) Table 16.1: Categorisation of financial investments

	Note	Category	Carrying Amount	
			2009	2008
			\$	\$
<u>Common Fund No. 1</u>				
<i>Financial assets:</i>				
Cash and cash equivalents	2(g)	Not applicable	3,548,005	1,717,539
Investments on common account	10	Available-for-sale financial assets at fair value	13,026,582	15,049,591
Interest Receivable	7	Receivables (at cost)	34,471	86,414
<i>Financial liabilities:</i>				
Amounts owing to Beneficiaries	15	Financial liabilities measured at cost	16,566,947	16,740,879
Interest income unallocated	2(f)	Financial liabilities measured at cost	42,111	112,665
<u>Common Fund No. 2</u>				
<i>Financial assets:</i>				
Cash and cash equivalents	2(g)	Not applicable	15,613,182	7,777,158
Investments on common account	10	Available-for-sale financial assets at fair value	569,797,075	533,197,786
Interest Receivable	7	Receivables (at cost)	6,690,865	8,274,535
<i>Financial liabilities:</i>				
Amounts owing to Beneficiaries	15	Financial liabilities measured at cost	577,885,081	558,651,501
Interest income unallocated	2(f)	Financial liabilities measured at cost	7,388,871	8,314,288
<u>Common Fund No. 3</u>				
<i>Financial assets:</i>				
Cash and cash equivalents	2(g)	Not applicable	948,133	439,302
Investments on common account	10	Available-for-sale financial assets at fair value	169,769	161,160
Shares	11	Available-for-sale financial assets at fair value	266,485,169	264,836,810
Trade & Other Receivables	9	Receivables (at cost)	1,652,774	1,719,619
Interest Receivable	7	Receivable (at cost)	449	1,022
<i>Financial liabilities:</i>				
Amounts owing to beneficiaries	15	Financial liabilities measured at cost	269,249,382	267,152,076
Interest income unallocated	2(f)	Financial liabilities measured at cost	6,912	5,837
<u>Common Funds Guarantee & Reserve Account</u>				
<i>Financial assets:</i>				
Cash and cash equivalents	2(g)	Not applicable	934,433	942,296
Investments on common account	10	Available-for-sale financial assets at fair value	42,580,954	33,518,642
Interest receivable	7	Receivables (at cost)	355,963	468,399
<i>Financial liabilities:</i>				
Trade and Other Payables	2(k), 14	Financial liabilities measured at cost	216,496	399,850
<u>Assets Held on Separate Account</u>				
<i>Financial assets:</i>				
Annuities held on separate account	12	Financial Assets (at amortised cost)	4,780,446	5,578,206
Annuity income receivable	7	Receivables (at cost)	46,874	44,825
<i>Financial liabilities:</i>				
Annuities owing to beneficiaries	12, 15	Financial liabilities measured at cost	4,780,446	5,578,206
Annuity income payable	2(k), 14	Financial liabilities measured at cost	46,874	44,825

(Note: The amount of receivables disclosed here in the Common Fund Guarantee Reserve Account excludes statutory receivables (i.e. GST input tax credit recoverable).

Senior Master of the Supreme Court

Notes to and forming part of the accounts
for the year ended 30 June 2009

16. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

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

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 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

The following table 16.2 discloses the interest rate exposure and the maturity ageing analysis of financial assets. Table 16.3 discloses the interest rate exposure and maturity analysis of financial liabilities.

The carrying amount of financial assets recorded in the financial report, net of any allowances for losses, represents the Senior Master's maximum exposure to credit risk.

(c) Liquidity risk

Liquidity risk arises when the Senior Master is unable to liquidate assets in sufficient time to meet obligations as they fall due.

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 cashflows, as payments required to be made into and out of Court cannot be known in advance, high quality investments are held to enable dealings in highly liquid markets.

Apart from dispute and security amounts held in Common Fund No.1, the overwhelming amounts of funds held on behalf of the beneficiaries are administered by the Senior Master for their long term interests and can only be liquidated through 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.

Notes to the financial statements
for the year ended 30 June 2009

16. FINANCIAL INSTRUMENTS (continued)

Table 16.2: Interest rate exposure and ageing analysis of financial assets

2009	Weighted average effective interest rate %	Carrying Amount \$	INTEREST RATE EXPOSURE			Not past due and not impaired \$	MATURITY AGEING ANALYSIS						Past due and not impaired \$	Impaired Financial Assets \$
			Fixed	Variable	Non-		Less than 1 year \$	1 - 2 years \$	2 - 3 years \$	3 - 4 years \$	4 - 5 years \$	5 + years \$		
			Interest	Interest	Interest									
			Rate	Rate	Bearing									
<u>Common Fund No. 1</u>														
<i>Financial assets:</i>														
Cash and cash equivalents	4.44	3,548,005	-	3,548,005	-	3,548,005	3,548,005	-	-	-	-	-	-	-
Investments on common account	4.89	13,026,582	13,026,582	-	-	13,026,582	13,026,582	-	-	-	-	-	-	-
Interest receivable		34,471	-	-	34,471	34,471	34,471	-	-	-	-	-	-	-
		<u>16,609,058</u>	<u>13,026,582</u>	<u>3,548,005</u>	<u>34,471</u>	<u>16,609,058</u>	<u>16,609,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Common Fund No. 2</u>														
<i>Financial assets:</i>														
Cash and cash equivalents	4.08	15,613,182	-	15,613,182	-	15,613,182	15,613,182	-	-	-	-	-	-	-
Investments on common account	5.57	569,797,075	569,797,075	-	-	569,797,075	121,706,448	75,019,100	116,131,580	103,182,146	81,616,050	72,141,751	-	-
Interest receivable		6,690,865	-	-	6,690,865	6,690,865	6,690,865	-	-	-	-	-	-	-
		<u>592,101,122</u>	<u>569,797,075</u>	<u>15,613,182</u>	<u>6,690,865</u>	<u>592,101,122</u>	<u>144,010,495</u>	<u>75,019,100</u>	<u>116,131,580</u>	<u>103,182,146</u>	<u>81,616,050</u>	<u>72,141,751</u>	<u>-</u>	<u>-</u>
<u>Common Fund No. 3</u>														
<i>Financial assets:</i>														
Cash and cash equivalents	4.73	948,133	-	948,133	-	948,133	948,133	-	-	-	-	-	-	-
Investments on common account	4.64	169,769	169,769	-	-	169,769	169,769	-	-	-	-	-	-	-
Shares		266,485,169	-	-	266,485,169	266,485,169	-	-	-	-	-	266,485,169	-	-
Interest receivable		449	-	-	449	449	449	-	-	-	-	-	-	-
Trade and Other Receivables		1,652,774	-	-	1,652,774	1,652,774	1,652,774	-	-	-	-	-	-	-
		<u>269,256,294</u>	<u>169,769</u>	<u>948,133</u>	<u>268,138,392</u>	<u>269,256,294</u>	<u>2,771,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,485,169</u>	<u>-</u>	<u>-</u>
<u>Common Funds Guarantee & Reserve Account</u>														
<i>Financial assets:</i>														
Cash and cash equivalents	3.97	934,433	-	934,433	-	934,433	934,433	-	-	-	-	-	-	-
Investments on common account	5.36	42,580,954	42,580,954	-	-	42,580,954	11,495,314	11,250,710	7,374,280	2,992,950	9,467,700	-	-	-
Interest receivable		355,963	-	-	355,963	355,963	355,963	-	-	-	-	-	-	-
Trade and other receivables		72,527	-	-	72,527	-	72,527	-	-	-	-	-	-	-
		<u>43,943,877</u>	<u>42,580,954</u>	<u>934,433</u>	<u>428,490</u>	<u>43,871,350</u>	<u>12,858,237</u>	<u>11,250,710</u>	<u>7,374,280</u>	<u>2,992,950</u>	<u>9,467,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Assets Held on Separate Account</u>														
<i>Financial assets:</i>														
Annuities held on separate account		4,780,446	-	4,780,446	-	4,780,446	-	-	-	-	-	4,780,446	-	-
Annuity income receivable		46,874	-	-	46,874	46,874	46,874	-	-	-	-	-	-	-
		<u>4,827,320</u>	<u>-</u>	<u>4,780,446</u>	<u>46,874</u>	<u>4,827,320</u>	<u>46,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,780,446</u>	<u>-</u>	<u>-</u>

Notes to the financial statements
for the year ended 30 June 2009

16. FINANCIAL INSTRUMENTS (continued)

Table 16.2: Interest rate exposure and ageing analysis of financial assets (continued)

2008	Weighted average effective interest rate %	Carrying Amount \$	INTEREST RATE EXPOSURE			Not past due and not impaired \$	MATURITY AGEING ANALYSIS						Past due and not impaired \$	Impaired Financial Impaired \$
			Fixed	Variable	Non-		Less than 1 year \$	1 - 2 years \$	2 - 3 years \$	3 - 4 years \$	4 - 5 years \$	5 + years \$		
			Interest	Interest	Non-									
			Rate	Rate	Bearing									
<u>Common Fund No. 1</u>														
<i>Financial assets:</i>														
Cash and cash equivalents	6.95	1,717,539	-	1,717,539	-	1,717,539	1,717,539	-	-	-	-	-	-	-
Investments on common account	7.29	15,049,591	15,049,591	-	-	15,049,591	15,049,591	-	-	-	-	-	-	-
Interest receivable		86,414	-	-	86,414	86,414	86,414	-	-	-	-	-	-	-
		16,853,544	15,049,591	1,717,539	86,414	16,853,544	16,853,544	-	-	-	-	-	-	-
<u>Common Fund No. 2</u>														
<i>Financial assets:</i>														
Cash and cash equivalents	6.96	7,777,158	-	7,777,158	-	7,777,158	7,777,158	-	-	-	-	-	-	-
Investments on common account	7.42	533,197,786	533,197,786	-	-	533,197,786	196,424,866	92,159,700	17,425,620	38,645,650	99,146,000	89,395,950	-	-
Interest receivable		8,274,535	-	-	8,274,535	8,274,535	8,274,535	-	-	-	-	-	-	-
		549,249,479	533,197,786	7,777,158	8,274,535	549,249,479	212,476,559	92,159,700	17,425,620	38,645,650	99,146,000	89,395,950	-	-
<u>Common Fund No. 3</u>														
<i>Financial assets:</i>														
Cash and cash equivalents	6.92	439,302	-	439,302	-	439,302	439,302	-	-	-	-	-	-	-
Investments on common account	7.24	161,160	161,160	-	-	161,160	161,160	-	-	-	-	-	-	-
Shares		264,836,810	-	-	264,836,810	264,836,810	-	-	-	-	-	264,836,810	-	-
Interest receivable		1,022	-	-	1,022	1,022	1,022	-	-	-	-	-	-	-
Trade and Other Receivables		1,719,619	-	-	1,719,619	1,719,619	1,719,619	-	-	-	-	-	-	-
		267,157,913	161,160	439,302	266,557,451	267,157,913	2,321,103	-	-	-	-	264,836,810	-	-
<u>Common Funds Guarantee & Reserve Account</u>														
<i>Financial assets:</i>														
Cash and cash equivalents	6.97	942,296	-	942,296	-	942,296	942,296	-	-	-	-	-	-	-
Investments on common account	7.43	33,518,642	33,518,642	-	-	33,518,642	17,954,222	7,739,580	1,924,580	1,934,420	3,965,840	-	-	-
Interest receivable		468,399	-	-	468,399	468,399	468,399	-	-	-	-	-	-	-
Trade and other receivables		93,459	-	-	93,459	-	93,459	-	-	-	-	-	-	-
		35,022,796	33,518,642	942,296	561,858	34,929,337	19,458,376	7,739,580	1,924,580	1,934,420	3,965,840	-	-	-
<u>Assets Held on Separate Account</u>														
<i>Financial assets:</i>														
Annuities held on separate account		5,578,206	-	5,578,206	-	5,578,206	-	-	-	-	-	5,578,206	-	-
Annuity income receivable		44,825	-	-	44,825	44,825	44,825	-	-	-	-	-	-	-
		5,623,031	-	5,578,206	44,825	5,623,031	44,825	-	-	-	-	5,578,206	-	-

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16. FINANCIAL INSTRUMENTS (continued)

Table 16.3: Interest rate exposure and maturity analysis of financial liabilities

2009	Weighted average effective interest rate %	Carrying Amount	INTEREST RATE EXPOSURE			Nominal Amount	MATURITY DATES		
			Fixed	Variable	Non-		Less than 1 month	Less than 1 month to 1 year	1 year and beyond
			Interest	Interest	Interest				
			Rate	Rate	Bearing				
		\$	\$	\$	\$	\$	\$	\$	
<u>Common Fund No. 1</u>									
<i>Financial Liabilities</i>									
Amounts owing to beneficiaries (Note 15)	-	16,566,947	-	-	16,566,947	16,566,947	-	16,566,947	-
Interest income unallocated [Note 2(f)]	-	42,111	-	-	42,111	42,111	-	42,111	-
		16,609,058	-	-	16,609,058	16,609,058	-	16,609,058	-
<u>Common Fund No. 2</u>									
<i>Financial Liabilities</i>									
Amounts owing to beneficiaries (Note 15)	-	577,885,081	-	-	577,885,081	577,885,081	-	18,332,266	559,552,815
Interest income unallocated [Note 2(f)]	-	7,388,871	-	-	7,388,871	7,388,871	-	7,388,871	-
		585,273,952	-	-	585,273,952	585,273,952	-	25,721,137	559,552,815
<u>Common Fund No. 3</u>									
<i>Financial Liabilities</i>									
Amounts owing to beneficiaries (Note 15)	-	269,249,382	-	-	269,249,382	269,249,382	-	1,486,754	267,762,628
Interest income unallocated [Note 2(f)]	-	6,912	-	-	6,912	6,912	-	6,912	-
		269,256,294	-	-	269,256,294	269,256,294	-	1,493,666	267,762,628
<u>Common Funds Guarantee & Reserve Account</u>									
<i>Financial Liabilities & other payables</i>									
Trade and other payables (Note 14)	-	216,496	-	-	216,496	216,496	216,496	-	-
		216,496	-	-	216,496	216,496	216,496	-	-
<u>Assets Held on Separate Account</u>									
<i>Financial Liabilities</i>									
Amounts owing to beneficiaries	-	4,780,446	-	-	4,780,446	4,780,446	-	-	4,780,446
Annuity income payable (Note 7)	-	46,874	-	-	46,874	46,874	-	46,874	-
		4,827,320	-	-	4,827,320	4,827,320	-	46,874	4,780,446

Notes to the financial statements
for the year ended 30 June 2009

16. FINANCIAL INSTRUMENTS (continued)

Table 16.3: Interest rate exposure and maturity analysis of financial liabilities (continued)

2008	Weighted average effective interest rate %	Carrying Amount \$	INTEREST RATE EXPOSURE			Nominal Amount \$	MATURITY DATES		
			Fixed	Variable	Non-		Less than 1 month \$	Less than 1 month to 1 year \$	1 year and beyond \$
			Interest	Interest	Interest				
			Rate	Rate	Bearing				
Common Fund No. 1									
<i>Financial Liabilities</i>									
Amounts owing to beneficiaries (Note 15)	-	16,740,879	-	-	16,740,879	16,740,879	-	16,740,879	-
Interest income unallocated [Note 2(f)]	-	112,665	-	-	112,665	112,665	-	112,665	-
		<u>16,853,544</u>	<u>-</u>	<u>-</u>	<u>16,853,544</u>	<u>16,853,544</u>	<u>-</u>	<u>16,853,544</u>	<u>-</u>
Common Fund No. 2									
<i>Financial Liabilities</i>									
Amounts owing to beneficiaries (Note 15)	-	558,651,501	-	-	558,651,501	558,651,501	-	14,761,235	543,890,266
Interest income unallocated [Note 2(f)]	-	8,314,288	-	-	8,314,288	8,314,288	-	8,314,288	-
		<u>566,965,789</u>	<u>-</u>	<u>-</u>	<u>566,965,789</u>	<u>566,965,789</u>	<u>-</u>	<u>23,075,523</u>	<u>543,890,266</u>
Common Fund No. 3									
<i>Financial Liabilities</i>									
Amounts owing to beneficiaries (Note 15)	-	267,152,076	-	-	267,152,076	267,152,076	-	269,249,382	267,152,076
Interest income unallocated [Note 2(f)]	-	5,837	-	-	5,837	5,837	-	5,837	-
		<u>267,157,913</u>	<u>-</u>	<u>-</u>	<u>267,157,913</u>	<u>267,157,913</u>	<u>-</u>	<u>269,255,219</u>	<u>267,152,076</u>
Common Funds Guarantee & Reserve Account									
<i>Financial Liabilities & other payables</i>									
Trade and other payables (Note 14)	-	399,850	-	-	399,850	399,850	399,850	-	-
		<u>399,850</u>	<u>-</u>	<u>-</u>	<u>399,850</u>	<u>399,850</u>	<u>399,850</u>	<u>-</u>	<u>-</u>
Assets Held on Separate Account									
<i>Financial Liabilities</i>									
Amounts owing to beneficiaries	-	5,578,206	-	5,578,206	-	5,578,206	-	-	5,578,206
Annuity income payable (Note 7)	-	44,825	-	44,825	-	44,825	-	44,825	-
		<u>5,623,031</u>	<u>-</u>	<u>5,623,031</u>	<u>-</u>	<u>5,623,031</u>	<u>-</u>	<u>44,825</u>	<u>5,578,206</u>

(d) 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 16.4)

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) Other price risk (Table 16.4)

The Senior Master is exposed to equity price risk arising from equity investments in leading Australian public companies. Equity investments are held for strategic 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.

Notes to the financial statements for the year ended 30 June 2009

16. FINANCIAL INSTRUMENTS (continued)

(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 over the next twelve 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 16.4 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 16.4: Market risk exposure

2009

<u>2009</u>		INTEREST RATE RISK *				SHARE PRICE RISK			
		-0.5%		0.5%		-10%		10%	
	Carrying Amount	Net Result	Equity	Net Result	Equity	Net Result	Operating Statement	Net Result	Operating Statement
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<u>Common Fund No. 2</u>									
Financial Assets									
Investments on common account	569,797,075	(8,477,490)	(8,477,490)	8,266,160	8,266,160	-	-	-	-
<u>Common Fund No. 3</u>									
Financial Assets									
Shares	266,485,169	-	-	-	-	(26,648,517)	(26,648,517)	26,648,517	26,648,517
<u>Common Funds Guarantee & Reserve Account</u>									
Financial Assets									
Investments on common account	42,580,954	(544,550)	(544,550)	532,930	532,930	-	-	-	-

2008

2008

INTEREST RATE RISK *						SHARE PRICE RISK			
		-0.5%		0.5%		-10%		10%	
		Net Result	Equity	Net Result	Equity	Net Result	Operating Statement	Net Result	Operating Statement
		\$	\$	\$	\$	\$	\$	\$	\$
<u>Common Fund No. 2</u>									
<i>Financial Assets</i>									
Investments on common account	533,197,786	(5,760,720)	(5,760,720)	6,624,651	6,624,651	-	-	-	-
<u>Common Fund No. 3</u>									
<i>Financial Assets</i>									
Shares	264,836,810	-	-	-	-	(26,483,681)	(26,483,681)	26,483,681	26,483,681
<u>Common Funds Guarantee & Reserve Account</u>									
<i>Financial Assets</i>									
Investments on common account	33,518,642	(183,828)	(183,828)	187,808	187,808	-	-	-	-

*(Sourced from the external professional advisers)

(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 2009 and 30 June 2008, respectively.

Notes to the financial statements
for the year ended 30 June 2009

	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 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
17. STATUTORY RESERVE										
<i>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.</i>										
Opening balance at 1 July	-	-	-	-	-	-	5,661,030	5,078,498	-	-
Add: Transfer from General Reserve (Note 18)	-	-	-	-	-	-	426,072	582,532	-	-
Closing Balance at 30 June	-	-	-	-	-	-	6,087,102	5,661,030	-	-
18. GENERAL RESERVE										
<i>Equity in the assets of the Common Funds Guarantee and Reserve Account is shown as a General Reserve against potential capital losses on realisation of Common Fund investments and to supplement interest distributions to Common Fund beneficiaries pursuant to S113(20) of the Supreme Court Act.</i>										
Opening balance at 1 July	-	-	-	-	-	-	29,510,493	28,480,103	-	-
Less: Transferred (to) Statutory Reserve (Note 17)	-	-	-	-	-	-	(426,072)	(582,532)	-	-
	-	-	-	-	-	-	29,084,421	27,897,571	-	-
Add: Surplus	-	-	-	-	-	-	7,967,095	1,612,922	-	-
Closing Balance at 30 June	-	-	-	-	-	-	37,051,516	29,510,493	-	-
19. INVESTMENTS AVAILABLE FOR SALE REVALUATION RESERVE										
Opening balance at 1 July	-	-	(17,716,310)	(11,587,529)	-	-	(492,420)	(309,621)	-	-
Unrealised gain/(loss) of financial assets	-	-	31,176,007	(6,117,543)	-	-	1,843,251	(152,170)	-	-
Cumulative (gain)/loss transferred to the net result on sale of financial assets:	-	-	(6,632,527)	(11,238)	-	-	(727,491)	(30,629)	-	-
Cumulative (gain)/loss transferred to the net result on impairment of financial assets:	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Closing Balance at 30 June	-	-	6,827,170	(17,716,310)	-	-	623,340	(492,420)	-	-

20 THE APPLICATION OF BENEFICIARIES' FUNDS IN THE PURCHASE OF REAL ESTATE

As part of the administration of funds 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 may act only in accordance with the Senior Master's instructions. Solicitors are requested to act as trustees, and usually the trustees' firms perform the legal work involved in and following purchases. The Certificate of Title is retained by the Senior Master's Office 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.

Property purchased from funds 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 every three year period.

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 property is not determined in accordance with AASB 116 *Property, Plant and Equipment* to avoid unnecessary cost to beneficiaries and to allow them quiet enjoyment of the property. 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. It is expected that there would be no material differences between the 'restricted' valuations and full valuations if they were to be carried out. However, full sworn valuations for all properties are obtained prior to their purchase or sale.

As at 30 June 2009 there were 493 trust properties of which the beneficiaries' component was valued at \$146,836,274 (2008: 468 properties valued at \$122,347,806).

21. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital expenditure (2008: nil). There are no finance leases. (2008: nil)

Motor vehicles are leased for two year terms. Details of these non-cancellable leases are as follows:

	2008/09	2007/08
	\$	\$
Not longer than 1 year	42,169	48,034
Longer than 1 year and not longer than 2 years	<u>14,952</u>	<u>15,421</u>
Totals	<u>57,121</u>	<u>63,455</u>

There are no other leases. (2008: nil)

22. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities have been identified. 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.

23. 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 (2008: nil)

24. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2009, no matters or circumstances have arisen since the end of the financial year 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.

25 GLOSSARY OF TERMS

Comprehensive Result

Total comprehensive result is the net result from operations i 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 equity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity' own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will nor 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 Statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (ie comprehensive operating statement, statement of financial position, statement of cash flows, and statement of changes in equity); 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.

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 remeasurements.

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, Office Manager and Accounting 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 *Supreme Court Act* 1986 and applicable Australian Accounting Standards and Interpretations (AASs) with the exception of AASB 116 *Property Plant and Equipment* in relation to the measurement of beneficiaries residential properties.

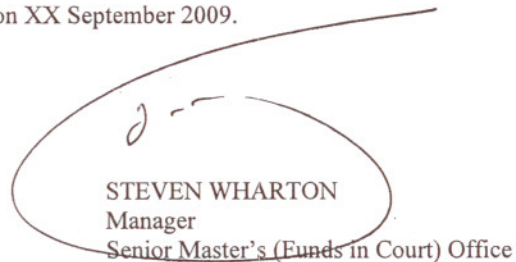
We further state that, in our opinion, the information set out in the Comprehensive operating statement, Statement of financial position, Statement of changes in equity, Statement of cash flows and Notes forming part of the financial statements for the Common Fund No.1, Common Fund No. 2., Common Fund 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 2009 and the financial position at 30 June 2009. 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 XX September 2009.



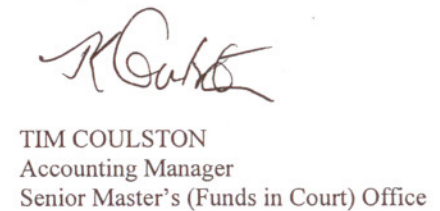
K J MAHONY
Senior Master

Melbourne
11 September 2009



STEVEN WHARTON
Manager
Senior Master's (Funds in Court) Office

Melbourne
11 September 2009



TIM COULSTON
Accounting Manager
Senior Master's (Funds in Court) Office

Melbourne
11 September 2009