

15 August 2012

File No: 28106/01

Associate Justice K Mahony
Senior Master of the Supreme Court
Supreme Court of Victoria
210 William Street
Melbourne VIC 3000

Dear Associate Justice Mahony,

Audited financial report for the year ended 30 June 2012

I enclose for your information the audited financial report of the Senior Master of the Supreme Court and the original signed audit report for the year ended 30 June 2012.

Copies of the audited financial report and the audit report have been forwarded to:

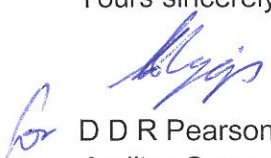
- the Minister for Finance and Attorney-General
- the Acting Secretary of the Department of Justice
- the Secretary of the Department of Treasury and Finance.

The audit report incorporates a paragraph addressing the electronic presentation of your financial reports. Where you present your financial report on your website, the enclosed audit report must be appended to these statements.

An interim management letter outlining audit observations and recommendations relating to internal controls was issued to you on 3 May 2012. A final management letter dealing with matters arising from our audit of the financial report was issued today.

In closing, I record my appreciation for the courtesy and co-operation extended by your staff during the audit.

Yours sincerely


D D R Pearson
Auditor-General

INDEPENDENT AUDITOR'S REPORT

To the Senior Master of the Supreme Court

The Financial Report

The accompanying financial report being a special purpose financial report for the year ended 30 June 2012 of the Senior Master of the Supreme Court which comprises comprehensive operating statements, balance sheets, statements of changes in equity, cash flow statements, notes comprising a summary of significant accounting policies and other explanatory information, and the joint declaration of the Senior Master, Office Manager and Accounting and Taxation 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 Master's Responsibility for the Financial Report

The Senior Master is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, with the exception of AASB 116 *Property, Plant and Equipment* and the financial reporting requirements of the *Supreme Court Act 1986*. The Senior Master has determined that the basis of preparation described in Note 2(a) is acceptable in the circumstances and is appropriate to meet the needs of the users. The Senior Master's responsibility includes such internal controls as the Senior Master determines are 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 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 relating 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 Senior Master of the Supreme Court'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 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 as at 30 June 2012 and their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, with the exception of AASB 116 *Property Plant and Equipment*, and the financial reporting requirements of the *Supreme Court Act 1986*.

Basis of Accounting Special Purpose 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.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Senior Master of the Supreme Court for the year ended 30 June 2012 included both in the Senior Master of the Supreme Court's annual report and on the website. The Senior Master is responsible for the integrity of the Senior Master of the Supreme Court's website. I have not been engaged to report on the integrity of the Senior Master of the Supreme Court's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
15 August 2012


D D R Pearson
Auditor-General

Senior Master of the Supreme Court

Financial Report
for the year ended 30 June 2012

Financial Report
for the year ended 30 June 2012

Comprising:

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

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

Comprehensive operating statements for the year ended 30 June 2012

	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 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$
Continuing Operations											
Income from transactions											
Interest revenue	2(d)(i),3	1,169,328	1,699,376	37,658,058	41,809,251	182,292	125,772	2,815,469	2,738,950	-	-
Dividend revenue	2(d)(i)	-	-	-	-	17,516,734	16,165,762	1,976	-	-	-
Beneficiaries' annuity revenue	2(d)(i)	-	-	-	-	-	-	-	-	995,649	1,225,316
Administration cost recovery	4	-	-	-	-	-	-	5,801,609	4,808,229	-	-
Total income from transactions		1,169,328	1,699,376	37,658,058	41,809,251	17,699,026	16,291,534	8,619,054	7,547,179	995,649	1,225,316
Expenses from transactions											
Interest expense	2(g)	1,927	-	-	313,040	-	-	5,850	9,720	-	-
Interest paid on closed accounts	2(e)	27,839	152,678	430,123	465,907	-	-	-	-	-	-
Beneficiaries' annuity revenue transferred to Common Fund No. 2	2(g)	-	-	-	-	-	-	-	-	995,649	1,225,316
Administration cost contribution	4	966,868	1,422,907	4,834,741	3,385,322	-	-	-	-	-	-
Depreciation expense	2(j),13	-	-	-	-	-	-	325,491	307,787	-	-
Administration expenses	2(d)(ii),6	-	-	-	-	-	-	7,398,992	6,596,857	-	-
Total expenses from transactions		996,634	1,575,585	5,264,864	4,164,269	-	-	7,730,333	6,914,364	995,649	1,225,316
Net result from transactions (net operating balance)		172,694	123,791	32,393,194	37,644,982	17,699,026	16,291,534	888,721	632,815	-	-
Other economic flows included in net result											
Capital gains on disposal of investments	5(a)	-	-	-	-	-	-	571,760	3,522,270	-	-
Capital gains on disposal of shares	11	-	-	-	-	524,925	1,274,564	-	-	-	-
Capital losses on disposal of investments	5(b)	-	-	-	(405,450)	-	-	-	(75,240)	-	-
Capital losses on disposal of shares	11	-	-	-	-	-	(161)	-	-	-	-
Capital gains on disposal of investments transferred back	5(c)	-	-	855,000	684,000	-	-	(855,000)	(684,000)	-	-
Total other economic flows included in net result		-	-	855,000	278,550	524,925	1,274,403	(283,240)	2,763,030	-	-
Net result from continuing operations		172,694	123,791	33,248,194	37,923,532	18,223,951	17,565,937	605,481	3,395,845	-	-
Net result from discontinued operations		-	-	-	-	-	-	-	-	-	-
Net result		172,694	123,791	33,248,194	37,923,532	18,223,951	17,565,937	605,481	3,395,845	-	-
Other economic flows - other changes in equity											
Valuation gain/(losses) recognised in financial assets	20	-	-	12,024,786	(1,354,088)	-	-	326,893	(173,415)	-	-
Cumulative (gains)/losses transferred to net result on sale of financial assets	20	-	-	(457,600)	(3,081,320)	-	-	(114,160)	39,740	-	-
Total other economic flows - other changes in equity		-	-	11,567,186	(4,435,408)	-	-	212,733	(133,675)	-	-
Comprehensive result		172,694	123,791	44,815,380	33,488,124	18,223,951	17,565,937	818,214	3,262,170	-	-

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

Balance sheets as at 30 June 2012

		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 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
FINANCIAL ASSETS											
Cash and cash equivalents (i)	2(f)	10,119,222	9,038,845	37,544,264	13,310,528	3,024,390	1,806,694	8,247,812	1,473,971	-	-
Interest receivable	7	82,457	72,880	7,790,549	11,041,058	8,379	7,170	459,112	472,696	-	-
Annuity income receivable	7	-	-	-	-	-	-	-	-	29,392	51,207
Trade and other receivables	2(l),9	-	-	-	-	3,153,313	2,725,228	114,185	105,045	-	-
Investments on common account available for sale (i)	10	11,000,000	11,000,000	622,248,444	609,391,858	-	-	39,814,630	45,377,107	-	-
Shares	11	-	-	-	-	367,285,846	381,688,591	-	-	-	-
Beneficiaries' annuities held on separate account	12	-	-	-	-	-	-	-	-	2,482,492	3,167,108
		<u>21,201,680</u>	<u>20,111,725</u>	<u>667,583,257</u>	<u>633,743,444</u>	<u>373,471,928</u>	<u>386,227,683</u>	<u>48,635,739</u>	<u>47,428,819</u>	<u>2,511,884</u>	<u>3,218,315</u>
NON FINANCIAL ASSETS											
Prepayments	8	-	-	-	-	-	-	33,294	28,886	-	-
Plant and equipment	2(i),2(j),13	-	-	-	-	-	-	1,309,137	1,476,649	-	-
Beneficiaries' residential properties	12,21	-	-	-	-	-	-	-	-	205,974,472	185,991,490
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,342,431</u>	<u>1,505,535</u>	<u>205,974,472</u>	<u>185,991,490</u>
		<u>21,201,680</u>	<u>20,111,725</u>	<u>667,583,257</u>	<u>633,743,444</u>	<u>373,471,928</u>	<u>386,227,683</u>	<u>49,978,169</u>	<u>48,934,354</u>	<u>208,486,356</u>	<u>189,209,805</u>
Total assets											
		<u>21,201,680</u>	<u>20,111,725</u>	<u>667,583,257</u>	<u>633,743,444</u>	<u>373,471,928</u>	<u>386,227,683</u>	<u>49,978,169</u>	<u>48,934,354</u>	<u>208,486,356</u>	<u>189,209,805</u>
LIABILITIES											
Trade and other payables	2(k),14	-	-	-	-	-	-	645,272	551,940	-	-
Annuity income payable to beneficiaries	14	-	-	-	-	-	-	-	-	29,392	51,207
Amounts owing to beneficiaries	2(g), 15	21,115,150	20,010,361	638,109,460	612,742,819	373,457,178	386,217,648	-	-	208,456,964	189,158,598
Provisions	2(d)(iii), 16	-	-	-	-	-	-	150,801	18,532	-	-
Total liabilities		<u>21,115,150</u>	<u>20,010,361</u>	<u>638,109,460</u>	<u>612,742,819</u>	<u>373,457,178</u>	<u>386,217,648</u>	<u>796,073</u>	<u>570,472</u>	<u>208,486,356</u>	<u>189,209,805</u>
		<u>21,115,150</u>	<u>20,010,361</u>	<u>638,109,460</u>	<u>612,742,819</u>	<u>373,457,178</u>	<u>386,217,648</u>	<u>796,073</u>	<u>570,472</u>	<u>208,486,356</u>	<u>189,209,805</u>
		<u>86,530</u>	<u>101,364</u>	<u>29,473,797</u>	<u>21,000,625</u>	<u>14,750</u>	<u>10,035</u>	<u>49,182,096</u>	<u>48,363,882</u>	<u>-</u>	<u>-</u>
Net assets											
		<u>86,530</u>	<u>101,364</u>	<u>29,473,797</u>	<u>21,000,625</u>	<u>14,750</u>	<u>10,035</u>	<u>49,182,096</u>	<u>48,363,882</u>	<u>-</u>	<u>-</u>
EQUITY											
Accumulated surplus		86,530	101,364	9,424,194	12,518,207	14,750	10,035	-	-	-	-
Statutory reserve	18	-	-	-	-	-	-	6,887,849	6,538,552	-	-
General reserve	19	-	-	-	-	-	-	41,524,687	41,268,503	-	-
Investments available for sale revaluation reserve	20	-	-	20,049,604	8,482,418	-	-	769,560	556,827	-	-
Total equity		<u>86,530</u>	<u>101,364</u>	<u>29,473,798</u>	<u>21,000,625</u>	<u>14,750</u>	<u>10,035</u>	<u>49,182,096</u>	<u>48,363,882</u>	<u>-</u>	<u>-</u>
		<u>86,530</u>	<u>101,364</u>	<u>29,473,798</u>	<u>21,000,625</u>	<u>14,750</u>	<u>10,035</u>	<u>49,182,096</u>	<u>48,363,882</u>	<u>-</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 2012

	Accumulated surplus \$	General reserve \$	Statutory reserve \$	Investments available for sale revaluation reserve \$	TOTAL \$
<u>Common Fund No. 1</u>					
Balance at 1 July 2010	137,924	-	-	-	137,924
Net result for period	123,791	-	-	-	123,791
Distribution of interest, dividends to beneficiaries	(160,351)	-	-	-	(160,351)
Balance as at 30 June 2011	101,364	-	-	-	101,364
Net result for period	172,694	-	-	-	172,694
Distribution of interest, dividends to beneficiaries	(187,528)	-	-	-	(187,528)
Balance as at 30 June 2012	86,530	-	-	-	86,530
<u>Common Fund No. 2</u>					
Balance at 1 July 2010	8,865,075	-	-	12,917,826	21,782,901
Net result for period	37,923,532	-	-	-	37,923,532
Distribution of interest, dividends to beneficiaries	(34,270,400)	-	-	-	(34,270,400)
Investments available for sale revaluation reserve (Note 20):	-	-	-	-	-
Unrealised gains/(losses)	-	-	-	(1,354,088)	(1,354,088)
Realised (gains)/losses	-	-	-	(3,081,320)	(3,081,320)
Balance as at 30 June 2011	12,518,207	-	-	8,482,418	21,000,625
Net result for period	33,248,194	-	-	-	33,248,194
Distribution of interest, dividends to beneficiaries	(36,342,208)	-	-	-	(36,342,208)
Investments available for sale revaluation reserve (Note 20):	-	-	-	-	-
Unrealised gains/(losses)	-	-	-	12,024,786	12,024,786
Realised (gains)/losses	-	-	-	(457,600)	(457,600)
Balance as at 30 June 2012	9,424,193	-	-	20,049,604	29,473,797
<u>Common Fund No. 3</u>					
Balance at 1 July 2010	5,638	-	-	-	5,638
Net result for period	17,565,937	-	-	-	17,565,937
Distribution of interest, dividends to beneficiaries	(16,287,137)	-	-	-	(16,287,137)
Distribution of realised capital gains on shares	(1,274,564)	-	-	-	(1,274,564)
Allocation of realised capital losses on shares	161	-	-	-	161
Balance as at 30 June 2011	10,035	-	-	-	10,035
Net result for period	18,223,951	-	-	-	18,223,951
Distribution of interest, dividends to beneficiaries	(17,694,311)	-	-	-	(17,694,311)
Distribution of realised capital gains on shares	(524,925)	-	-	-	(524,925)
Allocation of realised capital losses on shares	-	-	-	-	-
Balance as at 30 June 2012	14,750	-	-	-	14,750

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 2012
(continued)

	Accumulated Surplus \$	General Reserve \$	Statutory Reserve \$	Investments Available for Sale Revaluation Reserve \$	TOTAL \$
<u>Common Funds Guarantee and Reserve Account</u>					
Balance at 1 July 2010		37,965,112	6,446,098	690,502	45,101,712
Net result for period	3,395,845	-	-	-	3,395,845
Transfers to/from reserves:					
Transfers from accumulated surplus	-	3,395,845	-	-	3,395,845
Transfers to general reserve	(3,395,845)	-	-	-	(3,395,845)
Transfer from general reserve	-	-	92,454	-	92,454
Transfer to statutory reserve	-	(92,454)	-	-	(92,454)
Investments available for sale revaluation reserve (Note 20):					
Unrealised gains/(losses)	-	-	-	(173,415)	(173,415)
Realised (gains)/losses	-	-	-	39,740	39,740
Balance as at 30 June 2011	-	41,268,503	6,538,552	556,827	48,363,882
Net result for period	605,481	-	-	-	605,481
Transfers to/from reserves:					
Transfers from accumulated surplus	-	605,481	-	-	605,481
Transfers to general reserve	(605,481)	-	-	-	(605,481)
Transfer from general reserve	-	-	349,298	-	349,298
Transfer to statutory reserve	-	(349,298)	-	-	(349,298)
Investments available for sale revaluation reserve (Note 20):					
Unrealised gains/(losses)	-	-	-	326,893	326,893
Realised (gains)/losses	-	-	-	(114,160)	(114,160)
Balance as at 30 June 2012	-	41,524,687	6,887,849	769,560	49,182,096

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

Cash flow statements
for the year ended 30 June 2012

	Common Fund No. 1		Common Fund No. 2		Common Fund No. 3		Common Funds Guarantee and Reserve Account		Assets Held on Separate Account	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011	2012 \$	2011 \$	2012 \$	2011 \$
Cash flows from/(used in) operating activities										
Interest and dividends received	1,159,751	1,758,012	40,908,567	38,960,990	17,269,732	16,006,434	2,831,030	2,608,379	-	-
Administration cost recovery	(966,868)	(1,422,907)	(4,834,741)	(3,385,322)	-	-	5,801,609	4,808,229	-	-
Interest paid on closed accounts	(27,839)	(152,678)	(430,123)	(465,907)	-	-	-	-	-	-
Administration expenses	-	-	-	-	-	-	(7,186,940)	(6,177,842)	-	-
Bank Bill interest transferred	-	-	-	-	-	-	-	-	-	-
Interest expense	(1,927)	-	-	(313,040)	-	-	(5,850)	(9,720)	-	-
Capital gains (losses) on disposal of investments and shares	-	-	855,000	-	-	-	(283,240)	2,763,030	-	-
Net cash inflow from operating activities	163,117	182,427	36,498,703	34,796,721	17,269,732	16,006,434	1,156,609	3,992,076	-	-
Cash flows from/(used in) investing activities										
Investments available for sale (net)	-	6,657,909	(1,289,400)	(22,406,017)	(34,485,016)	(31,654,201)	5,775,211	(3,205,651)	-	-
Payments for non financial assets	-	-	-	-	-	-	(157,978)	(80,794)	(17,113,840)	(24,668,059)
Proceeds from disposal of non-financial assets	-	-	-	-	-	-	-	-	-	-
Net cash flow from (used in) investing activities	-	6,657,909	(1,289,400)	(22,406,017)	(34,485,016)	(31,654,201)	5,617,233	(3,286,445)	(17,113,840)	(24,668,059)
Cash flows from/(used in) financing activities										
Receipts to beneficiaries' accounts	13,123,046	10,552,513	109,448,295	115,221,178	28,339,095	29,933,291	-	-	9,191,259	11,539,552
Transfers - beneficiaries properties held on separate account	-	-	(8,522,340)	(15,142,059)	-	-	-	-	8,522,340	15,142,059
Transfers - annuities held on separate account	-	-	599,759	2,013,552	-	-	-	-	(599,759)	(2,013,552)
Payments from beneficiaries' accounts	(12,205,786)	(25,295,057)	(112,501,281)	(111,716,679)	(9,906,115)	(14,180,596)	-	-	-	-
Net cash flow from (used in) financing activities	917,260	(14,742,544)	(10,975,567)	(9,624,008)	18,432,980	15,752,695	-	-	17,113,840	24,668,059
Net increase/(decrease) in cash held	1,080,377	7,902,208	24,233,736	(2,766,696)	1,217,696	(104,928)	6,773,841	(705,631)	-	-
Cash at beginning of the financial year	9,038,845	1,136,637	13,310,528	16,077,224	1,806,694	636,726	1,473,971	1,656,639	-	-
Cash at the end of the financial year	10,119,222	9,038,845	37,544,264	13,310,528	3,024,390	1,806,694	8,247,812	1,473,971	-	-

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

For the purposes of the cash flow statement, 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 statement, is reconciled to the cash in the balance sheet.

Inflow from operating activities

Net result for the period	172,694	123,791	33,248,194	37,923,532	18,223,951	17,565,937	605,481	3,395,845	-	-
<i>Plus/(minus) non-cash items:</i>										
Depreciation and amortisation	-	-	-	-	-	-	325,491	307,787	-	-
Capital (gains)/losses on shares at fair value through profit/loss account	-	-	-	-	(524,925)	(1,274,403)	-	-	-	-
<i>(Increase)/Decrease in Assets</i>										
Prepayments	-	-	-	-	-	-	(4,408)	(14,429)	-	-
Trade and other receivables	-	-	-	-	(428,085)	(278,691)	(9,140)	80,648	-	-
Beneficiaries' annuity income receivable	-	-	-	-	-	-	-	-	21,815	(2,684)
Interest receivable	(9,577)	58,636	3,250,509	(3,126,811)	(1,209)	(6,409)	13,584	(130,571)	-	-
<i>Increase/(Decrease) in Liabilities</i>										
Beneficiaries annuity income payable	-	-	-	-	-	-	-	-	(21,815)	2,684
Trade and other payables	-	-	-	-	-	-	93,332	334,264	-	-
Provisions	-	-	-	-	-	-	132,269	18,532	-	-
Net cash inflow from operating activities	163,117	182,427	36,498,703	34,796,721	17,269,732	16,006,434	1,156,609	3,992,076	-	-

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

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.....	9
Note 2. Summary of significant accounting policies.....	11
Note 3. Interest revenue.....	17
Note 4. Administration cost recovery/(contribution).....	17
Note 5. Capital Gains and losses on investments.....	18
Note 6. Administration expenses.....	19
Note 7. Interest receivable and beneficiaries' annuity income receivable.....	19
Note 8. Prepayments.....	20
Note 9. Trade and other receivables.....	20
Note 10. Investments on common account available for sale.....	20
Note 11. Shares available for sale – Common Fund No. 3	21
Note 12. Assets Held on Separate Account.....	21
Note 13. Plant and equipment.....	22
Note 14. Trade and other payables.....	23
Note 15. Amounts owing to beneficiaries.....	23
Note 16. Provisions.....	23
Note 17. Financial instruments.....	24
Note 18. Statutory reserve.....	35
Note 19. General reserve.....	35
Note 20. Investments available for sale revaluation reserve.....	35
Note 21. The application of beneficiaries' funds in the purchase of real estate.....	36
Note 22. Commitments for expenditure.....	36
Note 23. Contingent liabilities and contingent assets.....	37
Note 24. Related party transactions.....	37
Note 25. Events subsequent to reporting date.....	37
Note 26. Remuneration of external auditors.....	37
Note 27. Glossary of terms.....	38

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 the Senior Master's (Funds in Court) Office, 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), he along with the Chief Justice, President of the Court of Appeal, Judges and other Associate Judges, 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 the Senior Master's Office.

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* 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 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 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 (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 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 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*. Refer to Note 21. AASs include Australian equivalents to International Reporting Standards.

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 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 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.

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 2012 and the comparative information presented for the year ended 30 June 2011.

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’.

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

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.2**, there was an immaterial overstatement of interest in the 2010-2011 financial year, and an adjustment with respect to the current year has been made.

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. 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 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. 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) Expenditure

From 1 April 2011, the Senior Master of the Supreme Court commenced directly employing staff. Employee costs at Note 6 are the costs of staff engaged in the Senior Master's (Funds in Court) Office many of whom are and continue to be supplied via the Department of Justice. These staff 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 for these staff are, however, totally paid for by the Senior Master to the Department of Justice. A Memorandum of Understanding was signed on 21 May 2010 for the Senior Master of the Supreme Court of Victoria, the Victorian Department of Justice and the Chief Executive Officer of the Supreme Court of Victoria that established the procedures to enable the Department of Justice to be properly paid by the Senior Master for the salaries and certain other employment costs, including long service leave, for these staff. The Department of Justice carries the values of all long service leave (LSL) entitlements attributable to these staff. The Senior Master carries the values of all leave entitlements for the staff that the Senior Master employs directly.

With effect from 30 June 2012, the Senior Master ceased directly employing staff and now previously employed direct contract staff, previous agency staff, and new staff 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.

(iii) Provisions

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

Provisions for annual leave and 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 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 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) 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, annual leave and LSL accrued while on LSL taken in service) are recognised and included with 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 (ie 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 accumulated surplus in the statement of changes in equity (refer page 5) 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 accumulated surplus in the statement of changes in equity (refer page 5) 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 cash equivalents (refers to all funds)

Cash and cash equivalents comprise cash on hand and cash in bank. They also include ‘at call accounts’ that are provided for by the asset management policy. Cash and Equivalent reclassification for both 2012 and 2011 is in line with the nature of investments. There were no bank overdrafts at 30 June 2012 (2011: nil).

(g) 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 sheet 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 value in the balance sheet. 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 and has not recognised the unrealised gains and losses through the “Available for Sale Revaluation Reserve” and has adjusted the values of liabilities owed to beneficiaries in the balance sheet 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.

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

There were no finance lease assets as at 30 June 2012 (2011: nil). Operating lease payments are recognised as an expense when incurred over the lease term.

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

Computer and office equipment and leasehold improvements are stated at historical cost less accumulated 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 (2011: \$1,000).

(j) 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. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

	2011/12	2010/11
• Office equipment	4 years	4 years
• Computer equipment	2-3 years	2-3 years
• Leasehold improvements	7 years	7 years

(k) 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.

(l) 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.

(m) 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 ITAA 36. Where no person is “presently entitled” (CF-1 only), income is taxed pursuant to section 99A of the ITAA 1936.

Notes to the financial statements
for the year ended 30 June 2012

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 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

3. INTEREST REVENUE

Bank account	48,036	65,156	352,104	391,095	71,385	70,945	29,965	44,878	-	-
Fixed interest securities	1,121,292	1,634,220	37,305,954	41,418,156	110,907	54,827	2,785,504	2,694,072	-	-
Total interest revenue	1,169,328	1,699,376	37,658,058	41,809,251	182,292	125,772	2,815,469	2,738,950	-	-

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)	(966,868)	(1,422,907)	(4,834,741)	(3,385,322)	-	-	5,801,609	4,808,229	-	-
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Notes to the financial statements for the year ended 30 June 2012

	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 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

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	-	-	457,600	3,486,770	-	-	114,160	35,500	-	-
Capital gains transferred (to)/from	-	-	(457,600)	(3,486,770)	-	-	457,600	3,486,770	-	-
Total Capital Gains on Disposal of Investments	-	-	-	-	-	-	571,760	3,522,270	-	-

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	-	-	-	(405,450)	-	-	-	(75,240)	-	-
Capital losses transferred (to)/from	-	-	-	-	-	-	-	-	-	-
Total capital losses on disposal of investments	-	-	-	(405,450)	-	-	-	(75,240)	-	-

5(c) CAPITAL PROFITS TRANSFERRED BACK

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 a portion of capital profits as a replacement for interest foregone from the sale of certain investments. This transfer is reported in the Comprehensive Operating Statement as other economic flows included in the result.

Total capital profits transferred back	-	-	855,000	684,000	-	-	(855,000)	(684,000)	-	-
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Notes to the financial statements
for the year ended 30 June 2012

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 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

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	-	-	-	-	-	-	11,738	14,712	-	-
Books publications and subscriptions	-	-	-	-	-	-	27,618	30,368	-	-
Client liaison and office travel	-	-	-	-	-	-	14,679	10,941	-	-
Computer and office equipment	-	-	-	-	-	-	98,804	265,923	-	-
Consultants fees	-	-	-	-	-	-	560,365	596,937	-	-
Employee expenses [Note 2 (d)]	-	-	-	-	-	-	6,021,421	5,178,897	-	-
External audit fees [Note 26]	-	-	-	-	-	-	67,000	58,500	-	-
Motor vehicles [Note 2 (h), 22]	-	-	-	-	-	-	138,922	123,322	-	-
Postage	-	-	-	-	-	-	30,745	24,865	-	-
Stationery and office supplies	-	-	-	-	-	-	54,162	43,650	-	-
Sundries including legal and investment costs	-	-	-	-	-	-	291,539	167,413	-	-
Training	-	-	-	-	-	-	81,999	81,329	-	-
Total administration expenses	-	-	-	-	-	-	7,398,992	6,596,857	-	-

7. INTEREST RECEIVABLE AND BENEFICIARIES' ANNUITY INCOME RECEIVABLE

Bank bill interest	-	-	-	-	-	-	-	-	-	-
Fixed interest securities	82,457	72,880	7,790,549	11,041,058	8,379	7,170	459,112	472,696	-	-
Annuities	-	-	-	-	-	-	-	-	29,392	51,207
Total interest receivable and annuities income receivable	82,457	72,880	7,790,549	11,041,058	8,379	7,170	459,112	472,696	29,392	51,207

Notes to the financial statements
for the year ended 30 June 2012

	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 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
8. PREPAYMENTS										
Administration expenses	-	-	-	-	-	-	33,294	28,886	-	-
Total Prepayments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,294</u>	<u>28,886</u>	<u>-</u>	<u>-</u>
9. TRADE AND OTHER RECEIVABLES										
Dividends (ex dividend)	-	-	-	-	3,153,313	2,725,228	-	-	-	-
GST refunds	-	-	-	-	-	-	114,185	105,045	-	-
Total trade & other receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,153,313</u>	<u>2,725,228</u>	<u>114,185</u>	<u>105,045</u>	<u>-</u>	<u>-</u>
10. INVESTMENTS ON COMMON ACCOUNT AVAILABLE FOR SALE										
Investments	11,000,000	11,000,000	622,248,444	609,391,858	-	-	39,814,630	45,377,107	-	-
Total investments on common account	<u>11,000,000</u>	<u>11,000,000</u>	<u>622,248,444</u>	<u>609,391,858</u>	<u>-</u>	<u>-</u>	<u>39,814,630</u>	<u>45,377,107</u>	<u>-</u>	<u>-</u>
Comprised of										
Current (matures < 1 year)	11,000,000	11,000,000	151,288,060	169,399,773	-	-	11,167,200	15,068,379	-	-
Non current (matures > 1 year)	-	-	470,960,384	439,992,085	-	-	28,647,430	30,308,728	-	-
	<u>11,000,000</u>	<u>11,000,000</u>	<u>622,248,444</u>	<u>609,391,858</u>	<u>-</u>	<u>-</u>	<u>39,814,630</u>	<u>45,377,107</u>	<u>-</u>	<u>-</u>

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

Notes to the financial statements for the year ended 30 June 2012

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

	2012 \$	2011 \$
Opening balance	381,688,591	334,879,255
Shares purchased during the year	26,271,108	30,029,214
Dividends reinvested during the year	9,166,931	7,353,208
Shares (including rights issues) disposed of during the year	(524,925)	(6,338,092)
Capital gains from shares disposed of during the year	524,925	1,274,564
Capital losses from shares disposed of during the year	-	(161)
Unrealised gains/(losses) in the market value of shares throughout the year	(49,840,784)	14,490,603
Closing balance at 30 June	367,285,846	381,688,591

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

	2012 \$	2011 \$
Annuities		
Opening balance	3,167,108	3,955,342
Annuities purchased during the year	-	-
Annuities disposed of during the year	(84,856)	-
Amortisation of annuities in current year	(599,759)	(788,234)
Closing balance at 30 June (historical cost)	2,482,492	3,167,108
Beneficiaries' Residential Properties		
Opening balance (at 'restricted' valuation)	185,991,490	167,418,304
Properties purchased during the year	17,113,840	24,668,059
Properties disposed during the year	(8,591,500)	(9,526,000)
Valuation movements	11,460,642	3,431,127
Closing balance at 30 June (at 'restricted' valuation)	205,974,472	185,991,490
Total closing balance	208,456,964	189,158,598

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

Notes to the financial statements
for the year ended 30 June 2012

	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 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$
13. PLANT AND EQUIPMENT										
Computer equipment	-	-	-	-	-	-	424,799	364,240	-	-
Less: accumulated depreciation	-	-	-	-	-	-	(374,772)	(273,661)	-	-
Computer equipment written down value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,028</u>	<u>90,579</u>	<u>-</u>	<u>-</u>
Office equipment	-	-	-	-	-	-	1,137,920	1,137,920	-	-
Less: accumulated depreciation	-	-	-	-	-	-	(373,753)	(229,522)	-	-
Office equipment written down value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>764,167</u>	<u>908,398</u>	<u>-</u>	<u>-</u>
Leasehold improvements	-	-	-	-	-	-	688,901	591,482	-	-
Less: accumulated depreciation	-	-	-	-	-	-	(193,959)	(113,810)	-	-
Leasehold improvements written down value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>494,942</u>	<u>477,672</u>	<u>-</u>	<u>-</u>
Total plant and equipment written down value	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,309,137</u>	<u>1,476,649</u>	<u>-</u>	<u>-</u>

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 2010	<u>351,805</u>	<u>1,114,623</u>	<u>556,255</u>	<u>2,022,683</u>
Additions	22,270	23,297	35,227	80,794
Disposals	(9,835)	-	-	(9,835)
Balance as at 30 June 2011	<u>364,240</u>	<u>1,137,920</u>	<u>591,482</u>	<u>2,093,642</u>
Additions	60,559	-	97,419	157,978
Disposals	-	-	-	-
Balance as at 30 June 2012	<u>424,799</u>	<u>1,137,920</u>	<u>688,901</u>	<u>2,251,620</u>
Accumulated Depreciation:				
Balance as at 1 July 2010	<u>(192,403)</u>	<u>(86,078)</u>	<u>(40,560)</u>	<u>(319,041)</u>
Disposals	9,835	-	-	9,835
Depreciation	(91,093)	(143,444)	(73,250)	(307,787)
Balance as at 30 June 2011	<u>(273,661)</u>	<u>(229,522)</u>	<u>(113,810)</u>	<u>(616,993)</u>
Disposals	-	-	-	-
Depreciation	(101,111)	(144,231)	(80,149)	(325,491)
Balance as at 30 June 2012	<u>(374,772)</u>	<u>(373,753)</u>	<u>(193,959)</u>	<u>(942,484)</u>
Net book value				
As at 30 June 2011	<u>90,579</u>	<u>908,398</u>	<u>477,672</u>	<u>1,476,649</u>
As at 30 June 2012	<u>50,028</u>	<u>764,167</u>	<u>494,942</u>	<u>1,309,137</u>

Notes to the financial statements
for the year ended 30 June 2012

	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 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$
14. TRADE AND OTHER PAYABLES										
Audit fees	-	-	-	-	-	-	18,920	19,114	-	-
Computer related	-	-	-	-	-	-	1,954	700	-	-
Consultants' fees	-	-	-	-	-	-	53,872	47,018	-	-
Employee costs	-	-	-	-	-	-	555,314	474,021	-	-
Other	-	-	-	-	-	-	15,212	11,087	-	-
Annuity interest	-	-	-	-	-	-	-	-	29,392	51,207
Total trade & other payables	-	-	-	-	-	-	645,272	551,940	29,392	51,207

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

15. AMOUNTS OWING TO BENEFICIARIES

Current (payable < 1 year)	21,115,150	20,010,361	15,277,006	16,571,184	292,706	88,617	-	-	-	183,142
Non current (payable > 1 year)	-	-	622,832,454	596,171,635	373,164,472	386,129,031	-	-	208,456,964	188,975,456
Total amounts owing to beneficiaries	21,115,150	20,010,361	638,109,460	612,742,819	373,457,178	386,217,648	-	-	208,456,964	189,158,598

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

16. PROVISIONS

Current :										
Annual leave entitlements	-	-	-	-	-	-	30,005	601	-	-
Unconditional long service leave entitlements	-	-	-	-	-	-	109,659	-	-	-
Total Current	-	-	-	-	-	-	139,664	601	-	-
Current entitlements that are expected to be utilised:										
Within 12 months after end of the reporting period	-	-	-	-	-	-	30,005	601	-	-
More than 12 months after the end of the reporting period	-	-	-	-	-	-	109,659	-	-	-
	-	-	-	-	-	-	139,664	601	-	-
Non- Current:										
Conditional long service leave entitlements	-	-	-	-	-	-	11,137	17,931	-	-
Total Non-Current	-	-	-	-	-	-	11,137	17,931	-	-
Total Provisions	-	-	-	-	-	-	150,801	18,532	-	-

Notes to and forming part of the accounts
for the year ended 30 June 2012

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); and
- . payables (supplies and services)

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

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

Notes to and forming part of the accounts
for the year ended 30 June 2012

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	2012 Total	Contractual financial assets/liabilities available for sale	Contractual financial assets - loans and receivables	Contractual financial liabilities at amortised cost	2011 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Common Fund No. 1								
Contractual financial assets:								
Cash and cash equivalents	-	10,119,222	-	10,119,222	-	9,038,845	-	9,038,845
Receivables - accrued investment income	-	82,457	-	82,457	-	72,880	-	72,880
Investments on common account available for sale	11,000,000	-	-	11,000,000	11,000,000	-	-	11,000,000
Total contractual financial assets	11,000,000	10,201,679	-	21,201,680	11,000,000	9,111,725	-	20,111,725
Contractual financial liabilities								
Amounts owing to beneficiaries (Note 15)	21,115,150	-	-	21,115,150	20,010,361	-	-	20,010,361
Total contractual financial liabilities	21,115,150	-	-	21,115,150	20,010,361	-	-	20,010,361
Common Fund No. 2								
Contractual financial assets:								
Cash and cash equivalents	-	37,544,264	-	37,544,264	-	13,310,528	-	13,310,528
Receivables - accrued investment income	-	7,790,549	-	7,790,549	-	11,041,058	-	11,041,058
Investments on common account available for sale	622,248,444	-	-	622,248,444	609,391,858	-	-	609,391,858
Total contractual financial assets	622,248,444	45,334,813	-	667,583,257	609,391,858	24,351,586	-	633,743,444
Contractual financial liabilities								
Amounts owing to beneficiaries (Note 15)	638,109,460	-	-	638,109,460	612,742,819	-	-	612,742,819
Total contractual financial liabilities	638,109,460	-	-	638,109,460	612,742,819	-	-	612,742,819
Common Fund No. 3								
Contractual Financial assets:								
Cash and cash equivalents	-	3,024,390	-	3,024,390	-	1,806,694	-	1,806,694
Receivables - accrued investment income	-	8,379	-	8,379	-	7,170	-	7,170
Receivables - other	-	3,153,313	-	3,153,313	-	2,725,228	-	2,725,228
Shares available for sale	367,285,846	-	-	367,285,846	381,688,591	-	-	381,688,591
Total contractual financial assets	367,285,846	6,186,082	-	373,471,928	381,688,591	4,539,092	-	386,227,683
Contractual financial liabilities								
Amounts owing to beneficiaries (Note 15)	373,457,178	-	-	373,457,178	386,217,648	-	-	386,217,648
Total contractual financial liabilities	373,457,178	-	-	373,457,178	386,217,648	-	-	386,217,648
Common Funds Guarantee & Reserve Account								
Contractual financial assets:								
Cash and cash equivalents	-	8,247,812	-	8,247,812	-	1,473,971	-	1,473,971
Receivables - accrued investment income	-	459,112	-	459,112	-	472,696	-	472,696
Investments on common account available for sale	39,814,630	-	-	39,814,630	45,377,107	-	-	45,377,107
Total contractual financial assets	39,814,630	8,706,924	-	48,521,554	45,377,107	1,946,667	-	47,323,774
Contractual financial liabilities								
Payables - supplies and services	-	-	645,272	645,272	-	-	551,940	551,940
Total contractual financial liabilities	-	-	645,272	645,272	-	-	551,940	551,940
Assets Held on Separate Account								
Contractual financial assets/liabilities:								
Annuities	2,482,492	-	-	2,482,492	3,167,108	-	-	3,167,108
Receivable - annuity income receivable	-	29,392	-	29,392	-	51,207	-	51,207
Total contractual financial assets	2,482,492	29,392	-	2,511,884	3,167,108	51,207	-	3,218,315
Contractual financial liabilities								
Annuity income payable to beneficiaries	-	-	29,392	29,392	-	-	51,207	51,207
Total contractual financial liabilities	-	-	29,392	29,392	-	-	51,207	51,207

17. FINANCIAL INSTRUMENTS (continued)

(c) Credit risk

Credit risk arises from the contractual financial assets of the Senior Master, which comprise cash and cash equivalents, 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.

Notes to and forming part of the accounts
for the year ended 30 June 2012

17. FINANCIAL INSTRUMENTS (continued)

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 and A+ credit rating	Financial Asset - no credit rating	2012 Total		Financial institutions Triple-A credit rating	Government agencies Triple-A credit rating	Financial institutions Double-A credit rating	Financial institutions A+ credit rating	Financial Asset - no credit rating	2011 Total
	\$	\$	\$	\$	\$	\$		\$	\$	\$	\$	\$	\$
Common Fund No. 1													
Contractual financial assets:													
Cash and deposits	-	-	10,119,222	-	-	10,119,222		-	-	9,038,845	-	-	9,038,845
Receivables - accrued investment income	-	-	82,457	-	-	82,457		-	-	72,880	-	-	72,880
Investments on common account available for sale	-	-	11,000,000	-	-	11,000,000		-	-	11,000,000	-	-	11,000,000
Total contractual financial assets	-	-	21,201,680	-	-	21,201,680		-	-	20,111,725	-	-	20,111,725
Common Fund No. 2													
Contractual financial assets:													
Cash and deposits	-	-	37,544,264	-	-	37,544,264		-	-	13,310,528	-	-	13,310,528
Receivables - accrued investment income	193,943	957,199	6,011,892	627,515	-	7,790,549		2,135,348	1,278,963	5,953,460	1,673,287	-	11,041,058
Investments on common account available for sale	15,490,650	76,453,600	480,183,194	50,121,000	-	622,248,444		117,856,813	70,590,100	328,590,822	92,354,123	-	609,391,858
Total contractual financial assets	15,684,593	77,410,799	523,739,350	50,748,515	-	667,583,257		119,992,161	71,869,063	347,854,810	94,027,410	-	633,743,444
Common Fund No. 3													
Contractual Financial assets:													
Cash and deposits	-	-	3,024,390	-	-	3,024,390		-	-	531,798	-	-	531,798
Receivables - accrued investment income	-	-	8,379	-	-	8,379		-	-	7,170	-	-	7,170
Investments on common account available for sale	-	-	-	-	-	-		-	-	1,274,896	-	-	1,274,896
Trade and other receivables	-	-	-	-	3,153,313	3,153,313		-	-	-	-	2,725,228	2,725,228
Shares available for sale	-	-	-	-	367,285,846	367,285,846		-	-	-	-	381,688,591	381,688,591
Total contractual financial assets	-	-	3,032,769	-	370,439,159	373,471,928		-	-	1,813,864	-	384,413,819	386,227,683
Common Funds Guarantee & Reserve Account													
Contractual financial assets:													
Cash and deposits	-	-	8,247,812	-	-	8,247,812		-	-	1,473,971	-	-	1,473,971
Receivables - accrued investment income	-	36,982	422,130	-	-	459,112		103,600	31,462	233,219	104,415	-	472,696
Investments on common account available for sale	-	3,207,090	36,607,540	-	-	39,814,630		9,945,220	3,020,250	22,388,139	10,023,498	-	45,377,107
Total contractual financial assets	-	3,244,072	45,277,482	-	-	48,521,554		10,048,820	3,051,712	24,095,329	10,127,913	-	47,323,774
Assets Held on Separate Account													
Contractual financial assets:													
Annuities	-	2,482,492	-	-	-	2,482,492		-	3,167,108	-	-	-	3,167,108
Receivable - annuity income receivable	-	29,392	-	-	-	29,392		-	51,207	-	-	-	51,207
Total contractual financial assets	-	2,511,884	-	-	-	2,511,884		-	3,218,315	-	-	-	3,218,315

Notes to the financial statements
for the year ended 30 June 2012

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 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.

Notes to the financial statements
for the year ended 30 June 2012

17. FINANCIAL INSTRUMENTS (continued)

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

2012	Weighted average effective interest rate %	Carrying amount \$	INTEREST RATE EXPOSURE			Not past due and not impaired \$	MATURITY AGEING ANALYSIS					
			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							
Common Fund No. 1												
<i>Financial assets:</i>												
Cash and cash equivalents	4.29	10,119,222	-	10,119,222	-	10,119,222	10,119,222	-	-	-	-	-
Investments on common account	5.22	11,000,000	11,000,000	-	-	11,000,000	11,000,000	-	-	-	-	-
Interest receivable		82,457	-	-	82,457	82,457	-	-	-	-	-	-
		21,201,680	11,000,000	10,119,222	82,457	21,201,680	21,201,680	-	-	-	-	-
Common Fund No. 2												
<i>Financial assets:</i>												
Cash and cash equivalents	4.28	37,544,264	-	37,544,264	-	37,544,264	37,544,264	-	-	-	-	-
Investments on common account	5.44	622,248,444	622,248,444	-	-	622,248,444	151,288,060	45,261,350	42,499,484	71,076,600	145,000,000	167,122,950
Interest receivable		7,790,549	-	-	7,790,549	7,790,549	7,790,549	-	-	-	-	-
		667,583,257	622,248,444	37,544,264	7,790,549	667,583,257	196,622,873	45,261,350	42,499,484	71,076,600	145,000,000	167,122,950
Common Fund No. 3												
<i>Financial assets:</i>												
Cash and cash equivalents	4.32	3,024,390	-	3,024,390	-	3,024,390	3,024,390	-	-	-	-	-
Investments on common account	4.83	-	-	-	-	-	-	-	-	-	-	-
Shares		367,285,846	-	-	367,285,846	367,285,846	-	-	-	-	-	367,285,846
Interest receivable		8,379	-	-	8,379	8,379	8,379	-	-	-	-	-
Trade and other receivables		3,153,313	-	-	3,153,313	3,153,313	3,153,313	-	-	-	-	-
		373,471,928	-	3,024,390	370,447,538	373,471,928	6,186,082	-	-	-	-	367,285,846
Common Funds Guarantee & Reserve Account												
<i>Financial assets:</i>												
Cash and cash equivalents	4.30	8,247,812	-	8,247,812	-	8,247,812	8,247,812	-	-	-	-	-
Investments on common account	5.44	39,814,630	39,814,630	-	-	39,814,630	11,167,200	3,102,000	5,228,910	8,000,000	8,000,000	4,316,520
Interest receivable		459,112	-	-	459,112	459,112	459,112	-	-	-	-	-
Trade and other receivables		114,185	-	-	114,185	114,185	114,185	-	-	-	-	-
		48,635,739	39,814,630	8,247,812	573,297	48,635,739	19,988,309	3,102,000	5,228,910	8,000,000	8,000,000	4,316,520
Assets Held on Separate Account												
<i>Financial assets:</i>												
Annuities held on separate account		2,482,492	-	2,482,492	-	2,482,492	-	-	-	712,346	1,770,146	-
Annuity income receivable		29,392	-	-	29,392	29,392	29,392	-	-	-	-	-
		2,511,884	-	2,482,492	29,392	2,511,884	29,392	-	-	712,346	1,770,146	-

* The carrying amount approximates fair value.

Notes to the financial statements
for the year ended 30 June 2012

17. FINANCIAL INSTRUMENTS (continued)

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

2011	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 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 cash equivalents	4.57	9,038,845	-	9,038,845	-	9,038,845	9,038,845	-	-	-	-	-	-	-
Investments on common account	5.60	11,000,000	11,000,000	-	-	11,000,000	11,000,000	-	-	-	-	-	-	-
Interest receivable		72,880	-	-	72,880	72,880	72,880	-	-	-	-	-	-	-
		20,111,725	11,000,000	9,038,845	72,880	20,111,725	20,111,725	-	-	-	-	-	-	-
Common Fund No. 2														
<i>Financial assets:</i>														
Cash and cash equivalents	4.57	13,310,528	-	13,310,528	-	13,310,528	13,310,528	-	-	-	-	-	-	-
Investments on common account	5.97	609,391,858	609,391,858	-	-	609,391,858	151,288,060	122,575,522	64,531,950	41,088,637	59,227,676	152,568,300	-	-
Interest receivable		11,041,058	-	-	11,041,058	11,041,058	11,041,058	-	-	-	-	-	-	-
		633,743,444	609,391,858	13,310,528	11,041,058	633,743,444	175,639,646	122,575,522	64,531,950	41,088,637	59,227,676	152,568,300	-	-
Common Fund No. 3														
<i>Financial assets:</i>														
Cash and cash equivalents	4.55	1,806,694	-	1,806,694	-	1,806,694	1,806,694	-	-	-	-	-	-	-
Investments on common account	5.20	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares		381,688,591	-	-	381,688,591	381,688,591	-	-	-	-	-	381,688,591	-	-
Interest receivable		7,170	-	-	7,170	7,170	7,170	-	-	-	-	-	-	-
Trade and other receivables		2,725,228	-	-	2,725,228	2,725,228	2,725,228	-	-	-	-	-	-	-
		386,227,683	-	1,806,694	384,420,989	386,227,683	4,539,092	-	-	-	-	381,688,591	-	-
Common Funds Guarantee & Reserve Account														
<i>Financial assets:</i>														
Cash and cash equivalents	4.56	1,473,971	-	1,473,971	-	1,473,971	1,473,971	-	-	-	-	-	-	-
Investments on common account	5.77	45,377,107	45,377,107	-	-	45,377,107	15,068,378	11,274,212	5,023,140	2,012,470	8,000,207	3,998,700	-	-
Interest receivable		472,696	-	-	472,696	472,696	472,696	-	-	-	-	-	-	-
Trade and other receivables		105,045	-	-	105,045	105,045	105,045	-	-	-	-	-	-	-
		47,428,819	45,377,107	1,473,971	577,741	47,428,819	17,120,090	11,274,212	5,023,140	2,012,470	8,000,207	3,998,700	-	-
Assets Held on Separate Account														
<i>Financial assets:</i>														
Annuities held on separate account		3,167,108	-	3,167,108	-	3,167,108	183,142	-	-	-	997,285	1,986,681	-	-
Annuity income receivable		51,207	-	-	51,207	51,207	51,207	-	-	-	-	-	-	-
		3,218,315	-	3,167,108	51,207	3,218,315	234,349	-	-	-	997,285	1,986,681	-	-

* The carrying amount approximates fair value

Notes to the financial statements
for the year ended 30 June 2012

17. FINANCIAL INSTRUMENTS (continued)

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

2012	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 \$	Less 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	21,115,150	-	-	21,115,150	21,115,150	-	21,115,150	-
		21,115,150	-	-	21,115,150	21,115,150	-	21,115,150	-
<u>Common Fund No. 2</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	638,109,460	-	-	638,109,460	638,109,460	-	15,277,006	622,832,454
		638,109,460	-	-	638,109,460	638,109,460	-	15,277,006	622,832,454
<u>Common Fund No. 3</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	373,457,178	-	-	373,457,178	373,457,178	-	292,706	373,164,472
		373,457,178	-	-	373,457,178	373,457,178	-	292,706	373,164,472
<u>Common Funds Guarantee & Reserve Account</u>									
<i>Financial liabilities & other payables</i>									
Trade and other payables (Note 14)	n/a	645,272	-	-	645,272	645,272	645,272	-	-
		645,272	-	-	645,272	645,272	645,272	-	-
<u>Assets Held on Separate Account</u>									
<i>Financial liabilities</i>									
Annuity income payable (Note 14)	n/a	29,392	-	-	29,392	29,392	-	29,392	-
		29,392	-	-	29,392	29,392	-	29,392	-

Notes to the financial statements
for the year ended 30 June 2012

17. FINANCIAL INSTRUMENTS (continued)

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

<u>2011</u>	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 \$	Less 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	20,010,361	-	-	20,010,361	20,010,361	-	20,010,361	-
		20,010,361	-	-	20,010,361	20,010,361	-	20,010,361	-
<u>Common Fund No. 2</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	612,742,819	-	-	612,742,819	612,742,819	-	16,571,184	596,171,635
		612,742,819	-	-	612,742,819	612,742,819	-	16,571,184	596,171,635
<u>Common Fund No. 3</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	386,217,648	-	-	386,217,648	386,217,648	-	88,617	386,129,031
		386,217,648	-	-	386,217,648	386,217,648	-	88,617	386,129,031
<u>Common Funds Guarantee & Reserve Account</u>									
<i>Financial liabilities & other payables</i>									
Trade and other payables (Note 14)	n/a	551,940	-	-	551,940	551,940	551,940	-	-
		551,940	-	-	551,940	551,940	551,940	-	-
<u>Assets Held on Separate Account</u>									
<i>Financial liabilities</i>									
Amounts owing to beneficiaries (Note 15)	n/a	3,167,108	-	-	3,167,108	3,167,108	-	183,142	2,983,966
Annuity income payable (Note 7)	n/a	51,207	-	-	51,207	51,207	-	51,207	-
		3,218,315	-	-	3,218,315	3,218,315	-	234,349	2,983,966

(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 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 2012

17. 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.

(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

2012

<u>2012</u>		<u>INTEREST RATE RISK</u>				<u>SHARE PRICE RISK</u>			
		-0.5%		0.5%		-10%		10%	
Carrying amount		Net		Net		Net		Net	
		result	Equity	result	Equity	result	Operating statement	result	Operating statement
\$		\$	\$	\$	\$	\$	\$	\$	\$
<u>Common Fund No. 2</u>									
<i>Financial assets</i>									
Investments on common account	622,248,444	6,172,487	6,172,487	(6,029,096)	(6,029,096)	-	-	-	-
<u>Common Fund No. 3</u>									
<i>Financial assets</i>									
Shares	367,285,846	-	-	-	-	(36,728,585)	(36,728,585)	36,728,585	36,728,585
<u>Common Funds Guarantee & Reserve Account</u>									
<i>Financial assets</i>									
Investments on common account	39,814,630	206,098	206,098	(205,862)	(205,862)	-	-	-	-

2011

<u>2011</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>									
<i>Financial assets</i>									
Investments on common account	609,391,858	7,097,309	7,097,309	(6,888,708)	(6,888,708)	-	-	-	-
<u>Common Fund No. 3</u>									
<i>Financial assets</i>									
Shares	381,688,591	-	-	-	-	(38,168,859)	(38,168,859)	38,168,859	38,168,859
<u>Common Funds Guarantee & Reserve Account</u>									
<i>Financial Assets</i>									
Investments on common account	45,377,107	263,470	263,470	(257,990)	(257,990)	-	-	-	-

Notes to and forming part of the accounts
for the year ended 30 June 2012

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 2012 and 30 June 2011, 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

	Carrying amount as at 30 June 2012	Fair value measurement at end of reporting period using:			Carrying amount as at 30 June 2011	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$	\$	\$
Common Fund No. 1								
Contractual financial assets:								
Cash and deposits	10,119,222	10,119,222	-	-	9,038,845	9,038,845	-	-
Receivables - accrued investment income	82,457	82,457	-	-	72,880	72,880	-	-
Corporate and bank securities including term deposit	11,000,000	11,000,000	-	-	11,000,000	11,000,000	-	-
Total	21,201,680	21,201,680	-	-	20,111,725	20,111,725	-	-
Common Fund No. 2								
Contractual financial assets:								
Cash and deposits	37,544,264	37,544,264	-	-	13,310,528	13,310,528	-	-
Receivables - accrued investment income	7,790,549	7,790,549	-	-	11,041,058	11,041,058	-	-
Corporate and bank securities including term deposit	622,248,444	622,248,444	-	-	609,391,858	609,391,858	-	-
Total	667,583,257	667,583,257	-	-	633,743,444	633,743,444	-	-
Common Fund No. 3								
Contractual Financial assets:								
Cash and deposits	3,024,390	3,024,390	-	-	1,806,694	1,806,694	-	-
Receivables - accrued investment income	8,379	8,379	-	-	7,170	7,170	-	-
Receivables - other	3,153,313	3,153,313	-	-	2,725,228	2,725,228	-	-
Corporate and bank securities including term deposit	-	-	-	-	-	-	-	-
Equities	367,285,846	367,285,846	-	-	381,688,591	381,688,591	-	-
Total	373,471,928	373,471,928	-	-	386,227,683	386,227,683	-	-
Common Funds Guarantee & Reserve Account								
Contractual financial assets:								
Cash and deposits	8,247,812	8,247,812	-	-	1,473,971	1,473,971	-	-
Receivables - accrued investment income	459,112	459,112	-	-	472,696	472,696	-	-
Corporate and bank securities including term deposit	39,814,630	39,814,630	-	-	45,377,107	45,377,107	-	-
Total	48,521,554	48,521,554	-	-	47,323,774	47,323,774	-	-
Assets Held on Separate Account								
Contractual financial assets:								
Annuities	2,482,492	2,482,492	-	-	3,167,108	3,167,108	-	-
Receivable - annuity income receivable	29,392	29,392	-	-	51,207	51,207	-	-
Total	2,511,884	2,511,884	-	-	3,218,315	3,218,314	-	-

Notes to the financial statements
for the year ended 30 June 2012

	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 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
18. 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	-	-	-	-	-	-	6,538,552	6,446,098	-	-
Add: transferred from general reserve (Note 19)	-	-	-	-	-	-	349,298	92,454	-	-
Closing Balance at 30 June	-	-	-	-	-	-	6,887,849	6,538,552	-	-
19. GENERAL RESERVE										
<i>Equity in the assets of the Common Funds Guarantee and Reserve Account is shown as a General Reserve against potential capital losses on realisation of Common Fund investments and to supplement interest distributions to Common Fund beneficiaries pursuant to S113(20) of the Supreme Court Act.</i>										
Opening balance at 1 July	-	-	-	-	-	-	41,268,503	37,965,112	-	-
Less: transferred (to) statutory reserve (Note 18)	-	-	-	-	-	-	(349,298)	(92,454)	-	-
	-	-	-	-	-	-	40,919,206	37,872,658	-	-
Add: net result	-	-	-	-	-	-	605,481	3,395,845	-	-
Closing balance at 30 June	-	-	-	-	-	-	41,524,687	41,268,503	-	-
20. INVESTMENTS AVAILABLE FOR SALE REVALUATION RESERVE										
Opening balance at 1 July	-	-	8,482,418	12,917,826	-	-	556,827	690,502	-	-
Unrealised gain/(loss) of financial assets	-	-	12,024,786	(1,354,088)	-	-	326,893	(173,415)	-	-
Cumulative (gain)/loss transferred to the net result on sale of financial assets:	-	-	(457,600)	(3,081,320)	-	-	(114,160)	39,740	-	-
Cumulative (gain)/loss transferred to the net result on impairment of financial assets:	-	-	-	-	-	-	-	-	-	-
Closing balance at 30 June	-	-	20,049,604	8,482,418	-	-	769,560	556,827	-	-

21 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. 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 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 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 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. 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 2012 there were 590 trust properties of which the beneficiaries' component was valued at \$205,974,472 (2011: 565 properties valued at \$185,991,490).

22. COMMITMENTS FOR EXPENDITURE

There are no commitments for capital expenditure (2011: nil). There are no finance leases (2011: nil).

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

	2011/12	2010/11
	\$	\$
Not longer than 1 year	66,985	50,032
Longer than 1 year and not longer than 2 years	<u>19,197</u>	<u>19,265</u>
	<u>86,182</u>	<u>69,297</u>

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities have been identified for 2011-2012 financial year (2011: nil).

In the 2010-2011 reporting period the Department of Justice issued to the Senior Master two tax invoices for recovery of rent and building outgoings paid by the State of Victoria for occupation by the Office of its premises at Level 5, 469 Latrobe Street, Melbourne. The State of Victoria is obligated to pay such rental costs pursuant to a lease entered into by the Minister for Finance.

These invoices were cancelled as at 30 June 2011. The Senior Master denies any liability to indemnify the State of Victoria for payments it makes under the lease.

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 (2011: nil).

25. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2012, 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

	2011/12	2010/11
	\$	\$
Victorian Auditor-General's Office	<u>\$67,000</u>	<u>\$58,500</u>
	<u>\$67,000</u>	<u>\$58,500</u>

The external audit fee disclosure in Note 6 for 2012 represents the external audit fees of \$67,000 an increase of \$8,500 from the 2011 financial year.

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 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's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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, statement 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.

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 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 and Taxation 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, including interpretations, and other mandatory professional reporting requirements with the exception of AASB 116 *Property Plant and Equipment* in relation to the measurement of beneficiaries' residential properties.

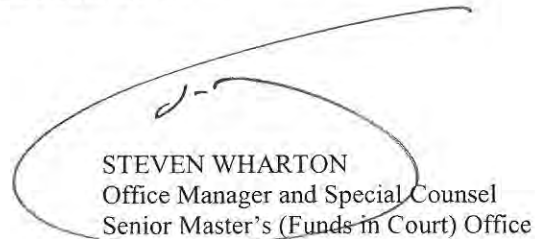
We further state that, in our opinion, the information set out in the comprehensive operating statements, balance sheets, statements of changes in equity, cash flow statements and notes to and forming part of the financial statements for the Common Fund No.1, Common Fund No. 2, Common Fund No.3, Common Funds Guarantee and Reserve Account and the Assets Held on Separate Account presents fairly the financial transactions during the year ended 30 June 2012 and the financial position at 30 June 2012. 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 2 August 2012.



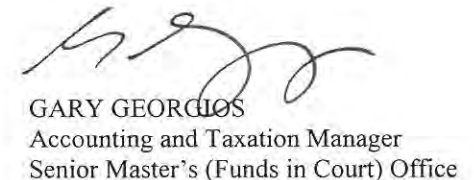
K J MAHONY
Senior Master

Melbourne
2 August 2012



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

Melbourne
2 August 2012



GARY GEORGIOS
Accounting and Taxation Manager
Senior Master's (Funds in Court) Office

Melbourne
2 August 2012