

## APPENDIX 1

### Financial Statements

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#### INDEPENDENT AUDIT REPORT

To the Attorney-General

#### Scope

#### *The financial statements and Registrar's responsibility*

The financial statements comprise:

- Statement by the Registrar and Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies;
- Schedule of Administered Items; and
- Notes to and forming part of the Financial Statements

of the Federal Court of Australia for the year ended 30 June 2005.

The Court's Registrar is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Federal Court of Australia and that comply with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, accounting standards and other mandatory financial reporting requirements in Australia. The Court's Registrar is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for accounting policies and accounting estimates inherent in the financial statements.

#### *Audit approach*

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate Australian Auditing and Assurance Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Federal Court of Australia's financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion formed is based on these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Court's Registrar.

### ***Independence***

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

### **Audit Opinion**

In my opinion, the financial statements of the Federal Court of Australia:

- a. have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- b. give a true and fair view of the Federal Court of Australia's financial position as at 30 June 2005 and of its performance and cash flows for the year then ended, in accordance with:
  - i. the matters required by the Finance Minister's Orders; and
  - ii. applicable accounting standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



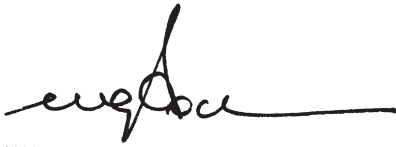
P Hinchey  
Senior Director  
Delegate of the Auditor-General

Sydney  
13 October 2005

**FEDERAL COURT OF AUSTRALIA**  
**STATEMENT BY THE REGISTRAR AND CHIEF FINANCE OFFICER**

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In our opinion, the attached financial statements for the year ended 30 June 2005 are based on properly maintained financial records, except as disclosed in Note 22A, and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Signed .....

Warwick Soden  
Registrar and Chief Executive Officer

13 October 2005



Signed .....

David Llewelyn  
Chief Finance Officer

13 October 2005

**FEDERAL COURT OF AUSTRALIA**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
*for the year ended 30 June 2005*

	Notes	2005 \$'000	2004 \$'000
<b>Revenues from ordinary activities</b>			
Revenues from Government	3A	85,460	79,054
Goods and services	3B	2,401	1,597
Interest	3C	490	470
Revenue from sale of assets	3D	12	3
Other revenues		-	27
<b>Revenues from ordinary activities</b>		<b>88,363</b>	<b>81,151</b>
<b>Expenses from ordinary activities</b>			
Judges and employees	4A	46,608	42,759
Suppliers	4B	37,658	34,779
Depreciation and amortisation	4C	2,157	1,894
Write-down and impairment of assets	4D	8	-
Value of assets sold	3D	41	2
<b>Expenses from ordinary activities</b>		<b>86,472</b>	<b>79,434</b>
<b>Operating surplus from ordinary activities</b>		<b>1,891</b>	<b>1,717</b>
Net credit to asset revaluation reserve	10A	(1,656)	-
<b>Total revenues, expenses and valuation adjustments attributable to the Australian Government and recognised directly in equity</b>		<b>(1,656)</b>	<b>-</b>
<b>Total changes in equity other than those resulting from transactions with the Australian Government as owner</b>		<b>235</b>	<b>1,717</b>

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

**FEDERAL COURT OF AUSTRALIA**  
**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash	5A	1,761	2,117
Receivables	5B	13,985	13,079
<b>Total Financial Assets</b>		<b>15,746</b>	<b>15,196</b>
<b>Non-Financial Assets</b>			
Land and buildings	6A	4,055	3,215
Infrastructure, plant and equipment	6B	8,746	10,187
Intangibles	6C	579	679
Other non-financial assets	6F	19,157	16,090
<b>Total Non-Financial Assets</b>		<b>32,537</b>	<b>30,171</b>
<b>Total Assets</b>		<b>48,283</b>	<b>45,367</b>
<b>LIABILITIES</b>			
<b>Interest Bearing Liabilities</b>			
Leases	7A	621	-
Other interest bearing liabilities	7B	139	343
<b>Total Interest Bearing Liabilities</b>		<b>760</b>	<b>343</b>
<b>Provisions</b>			
Judges and employees	8	15,119	15,194
<b>Total Provisions</b>		<b>15,119</b>	<b>15,194</b>
<b>Payables</b>			
Suppliers	9	616	186
<b>Total Payables</b>		<b>616</b>	<b>186</b>
<b>Total Liabilities</b>		<b>16,495</b>	<b>15,723</b>
<b>NET ASSETS</b>		<b>31,788</b>	<b>29,644</b>
<b>EQUITY</b>			
Contributed equity	10	6,543	4,635
Reserves	10	1,614	1,245
Retained Surpluses	10	23,631	23,764
<b>TOTAL EQUITY</b>		<b>31,788</b>	<b>29,644</b>
<b>Current Assets</b>		<b>29,397</b>	<b>25,780</b>
<b>Non-current Assets</b>		<b>18,886</b>	<b>19,587</b>
<b>Current Liabilities</b>		<b>4,901</b>	<b>4,579</b>
<b>Non-current Liabilities</b>		<b>11,594</b>	<b>11,144</b>

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

**FEDERAL COURT OF AUSTRALIA**  
**STATEMENT OF CASH FLOWS**

*for the year ended 30 June 2005*

	Notes	2005 \$'000	2004 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash Received</b>			
Goods and services		2,589	1,555
Appropriations		72,400	67,900
Net GST received from ATO		3,240	2,774
<b>Total Cash Received</b>		<b>78,229</b>	<b>72,229</b>
<b>Cash Used</b>			
Judges and employees		(40,157)	(35,669)
Suppliers		(34,450)	(29,694)
Net GST paid to ATO		(3,359)	(2,876)
<b>Total Cash Used</b>		<b>(77,966)</b>	<b>(68,239)</b>
<b>Net Cash From Operating Activities</b>	11	<b>263</b>	<b>3,990</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash Received</b>			
Proceeds from sales of property, plant and equipment		12	3
<b>Total Cash Received</b>		<b>12</b>	<b>3</b>
<b>Cash Used</b>			
Purchase of property, plant and equipment		(2,350)	(1,822)
Purchase of intangibles		(189)	(298)
Cash transferred to the OPA		-	(2,000)
<b>Total Cash Used</b>		<b>(2,539)</b>	<b>(4,120)</b>
<b>Net Cash (Used By) Investing Activities</b>		<b>(2,527)</b>	<b>(4,117)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash Received</b>			
Appropriations – contributed equity		1,908	317
<b>Total Cash Received</b>		<b>1,908</b>	<b>317</b>
<b>Net Cash From Financing Activities</b>		<b>1,908</b>	<b>317</b>
Net Increase / (Decrease) in Cash Held		(356)	190
Cash at the beginning of the reporting period		2,117	1,927
<b>Cash at the End of the Reporting Period</b>	5A	<b>1,761</b>	<b>2,117</b>

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

**FEDERAL COURT OF AUSTRALIA  
SCHEDULE OF COMMITMENTS**

as at 30 June 2005

	2005 \$'000	2004 \$'000
<b>BY TYPE</b>		
<b>Capital commitments</b>		
Infrastructure, plant and equipment	515	7
<b>Total Capital Commitments</b>	<b>515</b>	<b>7</b>
<b>Other Commitments</b>		
Operating leases <sup>1</sup>	166,387	122,639
Other <sup>2</sup>	3,473	5,746
<b>Total Other Commitments</b>	<b>169,860</b>	<b>128,385</b>
<b>Commitments Receivable</b>	<b>(15,489)</b>	<b>(11,672)</b>
<b>Net Commitments by Type</b>	<b>154,886</b>	<b>116,720</b>
<b>BY MATURITY</b>		
<b>Capital Commitments</b>		
One year or less	515	7
<b>Total Capital Commitments</b>	<b>515</b>	<b>7</b>
<b>Operating Lease Commitments</b>		
One year or less	20,178	18,015
From one to five years	63,799	47,007
Over five years	85,883	63,363
<b>Total Operating Lease Commitments</b>	<b>169,860</b>	<b>128,385</b>
<b>Commitments Receivable</b>	<b>(15,489)</b>	<b>(11,672)</b>
<b>Net Commitments by Maturity</b>	<b>154,886</b>	<b>116,720</b>

NB: Commitments are GST inclusive where relevant.

<sup>1</sup> Operating leases included are effectively non-cancellable and comprise:

<i>Nature of Lease</i>	<i>General description of leasing arrangement</i>
Leases for office accommodation	These commitments are mainly for rental of special purpose court buildings which are occupied by the Court's registries. These court buildings are owned by the Commonwealth of Australia, except for the New South Wales court building, which is owned by Law Courts Limited, a joint venture between the NSW State and Commonwealth Governments. There are no formal lease agreements executed which detail future payments. However, the rental amounts have been reliably measured and disclosed as they are the amounts expected to be payable under the arrangement with the Commonwealth and State Governments.
Agreements for the provision of motor vehicles to judges and senior officers	The Court leases motor vehicles from Lease Plan under the terms of a contract that is operative until January 2010.
Leases of computer equipment	The Court leases computer equipment as necessary under a 3-year supply contract.
<sup>2</sup> Other commitments	The Court has entered into commitments for the provision of information technology goods and services.

**SCHEDULE OF CONTINGENCIES**

as at 30 June 2005

There were no contingent losses or gains as at 30 June 2005.

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

<b>FEDERAL COURT OF AUSTRALIA</b>			
<b>SCHEDULE OF ADMINISTERED ITEMS</b>			
	Notes	2005 \$'000	2004 \$'000
<b>Revenues Administered on Behalf of Government</b> <i>for the year ended 30 June 2005</i>			
<b>Non-taxation Revenue</b>			
Fees	17	5,220	4,916
Fines	17	1,646	93
Other	17	148	144
<b>Total Revenues Administered on Behalf of Government</b>		<b>7,014</b>	<b>5,153</b>
<b>Expenses Administered on Behalf of Government</b> <i>for the year ended 30 June 2005</i>			
Refund of fees and fines	18	65	61
Fees and fines – provision for doubtful debts	18	58	32
<b>Total Expenses Administered on Behalf of Government</b>		<b>123</b>	<b>93</b>
<b>Assets Administered on Behalf of Government</b> <i>as at 30 June 2005</i>			
<b>Financial Assets</b>			
Cash	19	30	38
Receivables	19	333	123
<b>Total Assets Administered on Behalf of Government</b>		<b>363</b>	<b>161</b>
<b>Net Assets Administered on Behalf of Government</b>	21	<b>363</b>	161
<b>Current Assets</b>		<b>363</b>	161
<b>Non-current Assets</b>		-	-
<b>Current Liabilities</b>		-	-
<b>Non-current Liabilities</b>		-	-
<b>Administered Cash Flows</b> <i>for the year ended 30 June 2005</i>			
<b>Operating Activities</b>			
<b>Cash Received</b>			
Fees and Fines		6,598	4,934
Cash from Official Public Account		62	65
Other		148	144
<b>Total Cash Received</b>		<b>6,808</b>	<b>5,143</b>
<b>Cash Used</b>			
Refund of court fees and fines		65	61
Cash to Official Public Account		6,751	5,073
<b>Total Cash Used</b>		<b>6,816</b>	<b>5,134</b>
<b>Net Cash from /(Used in) Operating Activities</b>		<b>(8)</b>	<b>9</b>
<b>Net Increase /(Decrease) in Cash Held</b>			
Cash at the beginning of the reporting period		38	29
<b>Cash at End of Reporting Period</b>	19	<b>30</b>	<b>38</b>

This schedule should be read in conjunction with the accompanying notes

**FEDERAL COURT OF AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2005*

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Note 1:	Summary of Significant Accounting Policies
Note 2:	Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006
Note 3:	Operating Revenues
Note 4:	Operating Expenses
Note 5:	Financial Assets
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Note 11:	Cash Flow Reconciliation
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Note 16:	Financial Instruments
Note 17:	Revenues Administered on Behalf of Government
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**FEDERAL COURT OF AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

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**Note 1: Summary of Significant Accounting Policies**

**1.1 Objectives of the Court**

The objectives of the Court are to:

- decide disputes according to law promptly, courteously and effectively; and in so doing to interpret the statutory law and develop the general law of the Commonwealth, so as to fulfil the role of a court exercising the judicial power of the Commonwealth under the Constitution;
- provide an effective registry service to the community; and
- manage the resources allotted by Parliament efficiently.

The Court has one Output and one Outcome, detailed below.

To apply and uphold the rule of law to deliver remedies and enforce rights and in so doing, contribute to the social and economic development and well-being of all Australians.

The continued existence of the Court in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Court's administration and programs.

**1.2 Basis of Accounting**

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general-purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMO's, being the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 30 June 2005)*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Urgent Issues Group Abstracts.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets, which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for Court items except where otherwise stated in Note 1.16.

### **1.3 Revenue**

The revenues described in this note and Note 1.16 are revenues relating to the core operating activities of the Court, whether in its own right or on behalf of the Commonwealth. Details of revenue amounts are given in Note 3 and Note 17.

#### *Revenues from Government*

Amounts appropriated for Departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

#### *Resources Received Free of Charge*

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of these resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements (Refer to Note 1.4).

#### *Other Revenue*

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is judged to be less rather than more likely.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

### **1.4 Transactions with the Government as Owner**

#### *Equity injections*

Amounts appropriated which are designated as 'equity injections' for a year (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in Contributed Equity in that year.

#### *Other distributions to owners*

The FMO's require that distributions to owners be debited to contributed equity unless in the nature of a dividend. In 2004-05, the Federal Court of Australia did not relinquish control of any surplus output appropriation funding back to the Official Public Account (2003-04: \$2,000,000).

## 1.5 Judges and Employee Benefits

Liabilities for services rendered by Judges and employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for wages, salaries (including non-monetary benefits) and annual leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. The Federal Court's certified agreement provides for an increase of 4.5% on 25 July 2005.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

### *Leave*

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Court is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Court's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The long service leave provision is based on the Federal Court's estimated liability at balance date for long service leave entitlements of its employees. Court staff employed under the *Public Service Act* accrue 3 months long service leave after 10 years service, and progressively thereafter on a proportional basis. The Federal Court accrues this provision for each employee based on the probability that long service leave will be taken in the future or paid out once the employee meets the qualifying 10 years. Judges accrue 6 months long leave after 5 years of service. In recognition of the nature of Judges' tenure, a provision is accrued from the first year of service.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2005. In determining the present value of the liability, the Court has taken into account attrition rates and pay increases through promotion and inflation.

### *Superannuation*

Staff of the Court are members of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

The Court makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Court's employees.

### *Judges' Pension*

Under the *Judges' Pension Act 1968*, Federal Court judges are entitled to a non-contributory pension of 60% of current judicial salary after attaining the age of 60 years and having served 10 years or more as a judge or upon retirement on the ground of invalidity. Pro rata pension is payable after 6 years service as a judge upon retirement. As the liability for these pension payments is assumed by the Australian Government, the Court has not recognised a liability for unfunded superannuation liability.

The Court has, however, recognised both an expense and a corresponding revenue item, "Liabilities assumed by other agencies", in respect of the notional amount of the employer contributions to Judges' non-contributory pension for the reporting period amounting to \$6,523,910 (2003-04: \$6,115,677). The amount has been calculated by multiplying a contribution rate of 55.3% per annum by the judges' total annual salary in respect of Federal Court judges. The contribution rate has been provided by the Australian Government Actuary.

The Court has also recognised an additional expense of \$401,452 (2003-04: \$340,265) in relation to the notional amount of the employer contribution to Judges' pension in respect of the relevant portion of Judges' accrued leave, which is expected to be taken in the future. An equal amount has been included in "Liabilities assumed by other agencies".

#### **1.6 Leases**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the beginning of the lease term and a liability recognised at the same time and for the same amount. The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis that is representative of the pattern of benefits derived from the leased assets.

#### **1.7 Cash**

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

#### **1.8 Other Financial Instruments**

Accounting policies for financial instruments are stated in Note 16 and 21.

#### **1.9 Acquisition of assets**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

## 1.10 Property, Plant and Equipment

### *Asset Recognition Threshold*

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases of:

- assets other than information technology equipment costing less than \$2,000;
- information technology equipment costing less than \$1,500 which are expensed in the year of acquisition (other than where they form part of a group of similar items, which are significant in total).

### *Revaluation Basis*

Buildings, infrastructure, plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were done on a deprival basis: revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 *Revaluation of Non-Current Assets*.

Fair values for each class of asset are determined as shown below.

<i>Asset class</i>	<i>Fair value measured at:</i>
Buildings	Market selling price
Leasehold improvements	Depreciated replacement cost
Plant & Equipment	Market selling price

Under both deprival and fair value, assets which are surplus to requirements are measured at their net realisable value. At 30 June 2005, there were no assets in this situation (30 June 2004: Nil).

### *Frequency*

Buildings, infrastructure, plant and equipment are revalued progressively in successive three-year cycles, so that no asset has a value greater than three years old.

The Court completed its asset revaluation on 30 June 2005, with all asset groups updated to fair value.

The Court is required to revalue its non-current assets sufficiently frequently that their carrying amount at each date of reporting does not differ materially from their fair value should be the subject of a formal valuation at least once every three years.

### *Depreciation and amortisation*

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Court using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

	<u>2005</u>	<u>2004</u>
Leasehold improvements	<b>10 years or Lease term</b>	10 years or Lease term
Plant and equipment – excluding library materials	<b>3 to 10 years</b>	4 to 10 years
Plant and equipment – library materials	<b>5 to 40 years</b>	5 to 40 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4C.

### **1.11 Impairment of Non-Current Assets**

Non-current assets carried at up to date fair value at the reporting date are not subject to impairment testing.

The non-current assets carried at cost, which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the asset is written down to the higher of its net selling price and, if the entity would replace the asset's service potential, its depreciated replacement cost.

### **1.12 Intangibles**

The Court's intangibles comprise externally purchased software, which is carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Court's software is 5 years (2003-04: 5 years).

All software assets were assessed for indications of impairment as at 30 June 2005. None were found to be impaired.

### **1.13 Taxation**

The Court is exempt from all forms of taxation except fringe benefits tax and goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable; and
- except for receivables and payables.

### **1.14 Resources provided free of charge**

#### *Federal Magistrates Court*

The Federal Court of Australia provides resources free of charge to the Federal Magistrates Court in accordance with sections 90, 92 and 99 of the *Federal Magistrates Act 1999*. Resources provided free of charge include:

- Federal Court staff performing work on behalf of the Federal Magistrates Court; and
- accommodation, including access to the Court's courtrooms.

It is estimated that the cost of the resources provided free of charge by the Federal Court to the Federal Magistrates Court during 2004-05 was \$5,323,427 (2003-04: \$4,832,085).

#### *Industrial Relations Court of Australia*

Legislation passed by Federal Parliament in late November 1996, specifically Schedule 16 of the *Workplace Relations and Other Legislation Amendment Act 1996* (WROLA), provided for the jurisdiction previously exercised by the Industrial Relations Court of Australia to be transferred to the Federal Court on 26 May 1997.

Despite the transfer of the industrial relations jurisdiction to the Federal Court, the Industrial Relations Court of Australia continues to have jurisdiction over certain matters where a substantive hearing in the proceedings had commenced, or where hearings had been completed before the transfer date. Schedule 16 of the *Workplace Relations and Other Legislation Amendment Act 1996* provides that the Chief Justice of the Federal Court may arrange with the Chief Justice of the Industrial Relations Court for staff, facilities and any other necessary support to be made available to the Industrial Relations Court for the purposes of the Industrial Relations Court. It is estimated that the cost of the resources provided free of charge by the Federal Court to the Industrial Relations Court during 2004-05 was \$2,414 (2003-04 \$2,502).

### 1.15 Insurance

The Court has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation for Court employees is insured through Comcare Australia. The Chief Justice and Judges of the Court are provided for on a case-by-case basis through the *Judges Pension Act 1968* and Act of Grace provisions.

### 1.16 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related notes.

Accounting policies for administered items are as stated in Note 1.2.

These financial statements do not report the receipt of administered appropriations from the Official Public Account (OPA) as administered revenues, nor are transfers of administered receipts to the OPA reported as administered expenses. These transactions or balances are internal to the Administered entity. Transfers of cash are reported as administered (operating) cash flows.

Accounting policies which are relevant to administered activities of the Court are disclosed below.

#### *Revenues*

All administered revenues are revenues relating to the core operating activities performed by the Court on behalf of the Commonwealth. These comprise fees and fines.

Revenue from fees is recognised at the time the services are performed. The services are performed at the same time as, or within two days of, the fees becoming due and payable.

Revenue from fines is recognised in the period in which the invoice for the fine is raised.

### **Note 2: Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006.**

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (AIFRS). The International Financial Reporting Standards are issued by the International Accounting Standards Board. The new standards cannot be adopted early.

The Australian Equivalents contains certain additional provisions that will apply to not-for-profit entities, including the Court. Some of these provisions conflict with AIFRS, and therefore the Court will only be able to assert that the financial report has been prepared in accordance with Australian Accounting Standards.

Accounting Standard 1047 *Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards* requires that the financial statements for 2004-05 disclose:

- an explanation of how the transition to AIFRS is being managed, and a narrative explanation of the key policy differences in accounting policies that are expected to arise from adopting AIFRS;
- any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to AIFRS; and
- if the impacts of the above are not known or reliably estimable, a statement to that effect.

*Management of the transition to Australian Equivalents to International Financial Reporting Standards*

The Court has taken the following steps for the preparation towards the implementation of AIFRS:

The Court's Audit Committee is tasked with oversight of the transition to and implementation of AIFRS. The Chief Financial Officer is formally responsible for the project and reports regularly to the Audit Committee on progress against the formal plans approved by the Committee.

- Implementation of the AIFRS requires the following key steps to be undertaken:
  - Identification of all major accounting policy differences between current Australian standards and AIFRS progressively to 30 June 2004.
  - Identification of system changes necessary to be able to report under the AIFRS, including those necessary to capture data under both sets of rules for 2004-05 were completed on 18 August 2004. These included the testing and implementation of those changes.
  - A transitional balance sheet as at 1 July 2004 under AIFRS was completed and presented to the Audit Committee on 23 August 2005.
  - An AIFRS compliant balance sheet as at 30 June 2005 was also prepared during the preparation of the 2004-05 statutory financial reports.
  - The 2004-05 Balance Sheet under AIFRS will be reported to the Department of Finance and Administration in line with their reporting deadlines.
- To date, all major accounting and disclosure differences have been identified.

*Major changes in accounting policy*

Changes in accounting policies under Australian Equivalents are applied retrospectively i.e. as if the new policy had always applied. This rule means that an AIFRS compliant balance sheet must be prepared as at 1 July 2004, except as permitted in particular circumstances by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. This will enable the 2005-06 financial statements to report comparatives under AEIFRS.

*Property plant and equipment*

The Finance Minister's Orders require property plant and equipment assets carried at valuation in 2003-04 to be measured at up-to-date fair value by 30 June 2005. This differs from the accounting policies currently in place for these assets which, up to and including 2003-04, have been revalued progressively over a 3-year cycle and which currently include assets at cost (for purchases since the commencement of a cycle) and at deprival value (which will differ from their fair value to the extent that they have been measured at depreciated replacement cost when a relevant market selling price is not available).

However, it is important to note that the Finance Minister requires these assets to be measured at up-to-date fair values as at 30 June 2005. Further, the transitional provisions in AASB 1 will mean that the values at which assets were carried as at 30 June 2004 under existing standards will stand in the transitional balance sheet as at 1 July 2004.

*Impairment of Intangibles and Property, Plant and Equipment*

The Court's policy on impairment of non-current assets is at Note 1.11.

Under AIFRS these assets will be subject to assessment for impairment and, if there are indications of impairment, measurement of any impairment. (Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. 'Value in use' is the net present value of net cash inflows for cash generating units of the Court and depreciated replacement cost for other assets which would be replaced if the Court were deprived of them.

*Employee Benefits*

The provision for long service leave is measured at the present value of estimated future cash outflows using market yield as at the reporting date on national government bonds.

Under the AIFRS, the same discount rate will be used unless there is a deep market in high quality corporate bonds, in which case the market yields in such bonds must be used.

AIFRS require that annual leave that is not expected to be taken within 12 months of balance date is to be discounted. After assessing the staff leave profile, the Court does not expect that any material amounts of the annual leave balance will not be taken in the next 12 months. Consequently, there are no adjustments for non-current annual leave.

*Administered Items*

Assessment of the administered assets and liabilities of the Court indicate that there are no adjustments due to the transition to AIFRS.

*Financial Instruments*

AIFRS include an option for entities not to restate comparative information in respect of financial instruments in the first AIFRS report. It is expected that Finance Minister's Orders will require entities to use this option. Therefore, the amounts for financial instruments presented in the Court's 2004-05 primary financial statements are not expected to change as a result of the adoption of AIFRS.

The Court will be required by AIFRS to review the carrying amount of financial instruments at 1 July 2005 to ensure they align with the accounting policies required by AIFRS. It is expected that the carrying amounts of financial instruments held by the Court will not materially change as a result of this process.

<b>2005</b>	2004
<b>\$'000</b>	\$'000

**Note 3: Operating Revenues**

Note 3A: Revenues from Government

Appropriations for outputs	73,204	67,278
Resources received free of charge	5,732	5,660
Liabilities assumed by other agencies	6,524	6,116
<b>Total revenues from government</b>	<b>85,460</b>	<b>79,054</b>

Resources received free of charge includes an amount of \$5,547,582 (2003-04: \$5,547,582) in respect of rent and outgoings associated with the accommodation occupied by the Court in the Law Courts Building located in Sydney, New South Wales. This building is owned by Law Courts Limited, a joint venture between the NSW State and Commonwealth Governments.

Note 3B: Goods and Services

Services	2,401	1,597
<b>Total sales of services</b>	<b>2,401</b>	<b>1,597</b>

Rendering of services to:

Related entities	2,193	1,256
External entities	208	341
<b>Total rendering of services</b>	<b>2,401</b>	<b>1,597</b>

Note 3C: Interest Revenue

Interest	490	470
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Note 3D: Net Gains (Loss) from Sale of Assets

Infrastructure, plant and equipment:		
Proceeds from disposal	12	3
Net book value of assets disposed	41	2
Write-offs	-	-
<b>Net (loss) from disposal of infrastructure, plant and equipment</b>	<b>(29)</b>	<b>1</b>

**Note 4: Operating Expenses**

Note 4A: Judges and Employee Expenses

Remuneration	36,332	33,501
Superannuation	9,567	8,841
Separation and redundancies	441	164
<b>Total employee benefits expense</b>	<b>46,340</b>	<b>42,506</b>
Workers compensation premiums	268	253
<b>Total employee expenses</b>	<b>46,608</b>	<b>42,759</b>

	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
<b>Note 4B:      <u>Supplier Expenses</u></b>		
Goods from related entities	-	-
Goods from external entities	<b>2,780</b>	2,584
Services from related entities	<b>1,713</b>	943
Services from external entities	<b>10,295</b>	10,557
Operating lease rentals*	<b>22,870</b>	20,695
<b>Total supplier expenses</b>	<b>37,658</b>	34,779

\* These comprise minimum lease payments only.

<b>Note 4C:      <u>Depreciation and Amortisation</u></b>		
<i>(i) Depreciation</i>		
Leasehold improvements	<b>952</b>	782
Plant and equipment	<b>731</b>	792
<b>Total Depreciation</b>	<b>1,683</b>	1,574
<i>(ii) Amortisation</i>		
Intangibles – Computer Software	<b>278</b>	320
Leased plant and equipment	<b>196</b>	-
	<b>474</b>	320
<b>Total depreciation and amortisation</b>	<b>2,157</b>	1,894

No depreciation or amortisation was allocated to the carrying amounts of other assets.

<b>Note 4D:      <u>Write down of Assets</u></b>		
<b>Non-financial assets</b>		
Plant & equipment	<b>8</b>	-
<b>Total write-down of assets</b>	<b>8</b>	-

## **Note 5:      Financial Assets**

<b>Note 5A:      <u>Cash</u></b>		
Departmental (other than special accounts)	<b>1,761</b>	2,117
<b>Total cash</b>	<b>1,761</b>	2,117

<b>Note 5B:      <u>Receivables</u></b>		
Goods and services	<b>66</b>	89
GST receivable from the Australian Taxation Office	<b>515</b>	390
Appropriations receivable	<b>13,404</b>	12,600
<b>Total receivables (net)</b>	<b>13,985</b>	13,079

All receivables are current assets.

All goods and service receivables are with entities external to the Commonwealth. Credit terms are net 30 days (2004: 30 days).

Appropriations receivable undrawn are appropriations controlled by the Court but held in the Official Public Account under the Government's just-in-time drawdown arrangements.

Appropriation receivable for additional outputs are accrued revenues for services provided in the current year under a purchasing agreement with the Government. Funding for these services will be provided by appropriations 2005-06.

	2005 \$'000	2004 \$'000
Receivables (gross) are aged as follows:		
Overdue by:		
Less than 30 days	8	-
30 to 60 days	2	4
61 to 90 days	4	3
More than 90 days	47	57
	<u>61</u>	<u>64</u>
<b>Total receivables (gross)</b>	<b><u>13,985</u></b>	<b><u>13,079</u></b>

**Note 6: Non-Financial Assets**

**Note 6A: Land and Buildings**

**Leasehold improvements**

– at cost	954	161
– accumulated amortisation	(65)	(26)
	<u>889</u>	<u>135</u>
– at 2002 valuation (deprival)	-	7,806
– accumulated amortisation	-	(4,725)
	<u>-</u>	<u>3,081</u>
– at 2005 valuation (fair value)	4,053	-
– accumulated amortisation	(887)	-
	<u>3,166</u>	<u>-</u>

**Total Land and Buildings (non-current)**

<u>4,055</u>	<u>3,216</u>
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**Note 6B: Infrastructure, Plant and Equipment**

**Infrastructure, plant and equipment**

– at cost	2,041	2,776
– accumulated depreciation	(241)	(209)
	<u>1,800</u>	<u>2,567</u>
– at 2002 valuation (deprival)	-	11,475
– accumulated depreciation	-	(3,855)
	<u>-</u>	<u>7,620</u>
– at 2005 valuation (fair value)	7,623	-
– accumulated depreciation	677	-
	<u>6,946</u>	<u>-</u>

**Total Infrastructure, Plant and Equipment (non-current)**

<u>8,746</u>	<u>10,187</u>
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Plant and equipment under finance leases is subject to revaluation. The carrying amount is included in the valuation figures above and is separately disclosed in Table C below.

All formal revaluations are independent and are conducted in accordance with the revaluation policy state in Note 1.10. In 2004-05, the formal revaluations were conducted by an independent valuer (Australian Valuation Office).

	<b>2005</b>	2004
	<b>\$'000</b>	\$'000
<b>Note 6C: Intangibles</b>		
Computer software – at cost:	<b>2,058</b>	1,884
– accumulated amortisation	<b>(1,479)</b>	(1,205)
	<b>579</b>	679
<b>Total Intangibles</b>	<b>579</b>	679

Note 6D: Analysis of Property, Plant, Equipment and Intangibles

**TABLE A - Reconciliation of the opening and closing balances of property, plant, equipment and intangibles**

Item	Leasehold improvement – Total land and buildings \$'000	Infrastructure, plant and equipment \$'000	Computer Software – Intangibles \$'000	Total \$'000
As at 1 July 2004				
Gross book value	7,966	14,272	1,884	24,122
Accumulated depreciation/amortisation	(4,751)	(4,085)	(1,205)	(10,041)
<b>Opening Net Book Value</b>	<b>3,215</b>	<b>10,187</b>	<b>679</b>	<b>14,081</b>
<b>Additions:</b>				
by purchase	953	2,028	187	3,168
from acquisition of operations (including restructuring)	-	-	-	-
Net revaluation increment/(decrement)	839	(2,495)	-	(1,656)
Depreciation/amortisation expense	(952)	(926)	(279)	(2,157)
Recoverable Amount write-downs	-	-	-	-
<b>Disposals:</b>				
From disposal of operations	-	-	-	-
Other disposals	-	(48)	(8)	(56)
<b>As at 30 June 2005</b>				
Gross book value	5,007	9,665	2,058	16,730
Accumulated depreciation/amortisation	(952)	(919)	(1,479)	(3,350)
<b>Closing Net book value</b>	<b>4,055</b>	<b>8,746</b>	<b>579</b>	<b>13,380</b>

Note 6E: Analysis of Property, Plant, Equipment and Intangibles

**TABLE B – Assets at valuation**

Item	Leasehold improvement – Total land and buildings \$'000	Total plant and equipment \$'000
<b>As at 30 June 2005</b>		
Gross value	4,053	7,623
Accumulated depreciation/amortisation	(887)	(678)
<b>Net book value</b>	<b>3,166</b>	<b>6,945</b>
<b>As at 30 June 2004</b>		
Gross value	6,114	11,200
Accumulated depreciation/amortisation	(4,359)	(3,781)
<b>Net book value</b>	<b>1,755</b>	<b>7,419</b>

**TABLE C – Assets held under finance lease**

Item	Leasehold improvement – Total land and buildings \$'000	Total plant and equipment \$'000
<b>As at 30 June 2005</b>		
Gross value	-	798
Accumulated depreciation/amortisation	-	(196)
<b>Net book value</b>	-	<b>602</b>
<b>As at 30 June 2004</b>		
Gross value	-	86
Accumulated depreciation/amortisation	-	-
Net book value	-	86

**TABLE D – Assets under construction**

Item	Leasehold improvement – Total land and buildings \$'000	Total plant and equipment \$'000
<b>Gross value at 30 June 2005</b>	-	<b>235</b>
Gross value at 30 June 2004	-	-

	2005 \$'000	2004 \$'000
<u>Note 6F:</u> <u>Other Non-Financial Assets</u>		
Prepayments	<u>19,157</u>	<u>16,090</u>

**Note 7:      Interest Bearing Liabilities**

<u>Note 7A:</u> <u>Leases</u>		
Finance lease commitments		
Payable:		
Within one year	249	-
In one to five years	372	-
Minimum lease payments	621	-
Deduct: future finance charges	-	-
<b>Net lease liability</b>	<u>621</u>	<u>-</u>
Lease liability is represented by:		
Current	249	-
Non-current	372	-
<b>Net lease liability</b>	<u>621</u>	<u>-</u>

Finance leases exist in relation to certain major IT equipment assets and some office equipment. The leases are non-cancellable and for fixed terms of three years. The interest rate implicit in the leases averaged 5.25% (2004: Nil). The leased assets secure the lease liabilities. The Court guarantees the residual values of all assets leased. There are no contingent rentals.

<u>Note 7B:</u> <u>Other Interest Bearing Liabilities</u>		
Lease incentives	<u>139</u>	<u>343</u>
Other interest bearing liabilities are represented by:		
Current	139	204
Non-current	-	139
<b>Total other interest bearing liabilities</b>	<u>139</u>	<u>343</u>

	2005 \$'000	2004 \$'000
<b>Note 8: Provisions</b>		
Salaries and wages	97	843
Leave	14,071	13,513
Superannuation	750	645
Fringe Benefits Tax	201	193
<b>Aggregate Judges and employees benefit liability and related on-costs</b>	<b>15,119</b>	<b>15,194</b>
Judges and employees provisions are represented by:		
Current	3,897	4,250
Non-current	11,222	10,944

**Note 9: Payables**

Trade creditors	401	186
Sundry creditors	215	-
<b>Total supplier payables</b>	<b>616</b>	<b>186</b>
Supplier payables are represented by:		
Current	616	186
<b>Total supplier payables</b>	<b>616</b>	<b>186</b>

Settlement is usually made net 30 days.

**Note 10: Equity**

Note 10A: Analysis of Equity

Item	Accumulated Results		Asset Revaluation Reserves		Contributed Equity		TOTAL EQUITY	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Opening balance as at 1 July	23,764	21,780	1,245	1,245	4,635	4,585	29,644	27,610
Net surplus/deficit	1,891	1,717	-	-	-	-	1,891	1,717
Net revaluation increment/(decrement)	(2,025)	-	369	-	-	-	(1,656)	-
<b>Transactions with owner:</b>								
Contributions by owner:								
Appropriations (equity injections)	-	267	-	-	1,908	50	1,908	317
<b>Closing balance as at 30 June</b>	<b>23,631</b>	<b>23,764</b>	<b>1,614</b>	<b>1,245</b>	<b>6,543</b>	<b>4,635</b>	<b>31,788</b>	<b>29,644</b>

	2005 \$'000	2004 \$'000
<b>Note 11: Cash Flow Reconciliation</b>		
<b>Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows</b>		
Cash at year end per Statement of Cash Flows	1,761	2,117
Statement of Financial Position items comprising above cash: 'Financial Assets - Cash'	1,761	2,117
<b>Reconciliation of operating surplus to net cash from operating activities.</b>		
Operating surplus	1,891	1,717
<b>Non-cash items</b>		
Depreciation/amortisation	2,157	1,894
Net write down of non-financial assets	8	2
Loss on disposal of assets	29	-
<b>Changes in Assets and Liabilities</b>		
(Increase)/decrease in receivables	(906)	468
(Increase)/decrease in prepayments	(3,067)	(614)
Other changes in the opening balances of assets	-	(78)
Increase/(decrease) in suppliers payables	430	(163)
Increase/(decrease) in judge and employee provisions	(75)	968
Increase/(decrease) in other liabilities	(204)	(204)
<b>Net cash from operating activities</b>	<b>263</b>	<b>3,990</b>

**Note 12: Executive Remuneration**

	2005	2004
The number of executives who received or were due to receive total remuneration of \$100,000 or more:		
\$130,000 to \$139,999	1	-
\$140,000 to \$149,999	-	3
\$150,000 to \$159,999	-	1
\$160,000 to \$169,999	1	-
\$170,000 to \$179,999	-	4
\$180,000 to \$189,999	1	1
\$190,000 to \$199,999	3	1
\$200,000 to \$209,999	1	-
\$210,000 to \$219,999	3	-
\$220,000 to \$229,999	1	-
\$240,000 to \$249,999	1	1
The aggregate amount of total remuneration of executives shown above:	<b>\$2,482,669</b>	\$1,916,293
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above:	<b>\$169,530</b>	Nil

**Note 13: Remuneration of Auditors**

	2005	2004
	\$	\$
Financial statement audit services are provided free of charge to the Court by the Auditor-General.		
The fair value of audit services provided was:	<u>72,000</u>	<u>67,000</u>

The audit fees for the Industrial Relations Court of Australia were borne by the Federal Court and have been included in the amounts disclosed in this note. No other services were provided by the Auditor-General during the financial year

**Note 14: Average Staffing Levels**

	2005	2004
The average staffing levels for the Federal Court during the year were:	<u>346</u>	<u>324</u>

**Note 15: Specific Payment Disclosures**

	2005	2004
	\$	\$
<i>Administered</i>		
No Act of Grace payments were made during the financial year 2004-05 under sub-section 33(1) of the <i>Financial Management and Accountability Act 1997</i> .	-	-
No payments were waived during the financial year 2004-05 under subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> .	-	-
2,566 exemptions and waivers of amounts owing to the Commonwealth were made pursuant to sub-regulations 2(4)(a-c), 2A(2)(e-g), 2AA(2)(f-h) of the <i>Federal Court Act 1976</i> (2004: 3,380).	<b>2,257,196</b>	2,515,844

*Departmental*

No payments were made under the 'Defective Administration Scheme' during the financial year 2004-05.

**Note 16: Financial Instruments**

Note 16A: Interest Rate Risk

Financial Instrument	Note	Floating Interest Rate		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 %	2004 %
<b>Financial Assets</b>									
Cash at bank	5A	1,761	2,117	-	-	1,761	2,117	2	2
Receivables for goods and services (gross)	5B	-	-	13,985	13,079	13,985	13,079	n/a	n/a
Term Deposits	5C	-	-	-	-	-	-	0	0
<b>Total</b>		<b>1,761</b>	<b>2,117</b>	<b>13,985</b>	<b>13,079</b>	<b>15,746</b>	<b>15,196</b>		
						<b>15,746</b>	<b>15,196</b>		

<b>Financial Liabilities</b>									
Finance Lease liabilities	7A	621	-	-	-	621	-	5.25	n/a
Lease Incentives	7B			139	343	139	343	n/a	n/a
Suppliers Payable	9A		-	616	186	616	186	n/a	n/a
<b>Total</b>		<b>621</b>	<b>-</b>	<b>755</b>	<b>529</b>	<b>1,376</b>	<b>529</b>		
<b>Total Liabilities</b>						<b>1,376</b>	<b>529</b>		

The net fair values of cash, investments and non-interest-bearing financial assets approximate their carrying amounts. The net fair values for finance lease liabilities, lease incentives and trade creditors are approximated by their carrying amounts.

Credit Risk Exposures

The Court's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Performance.

The Court has no significant exposures to any concentrations of credit risk.

	2005 \$'000	2004 \$'000
<b>Note 17: Revenues Administered on Behalf of Government</b>		
<b>Other Revenue</b>		
Fees	5,220	4,916
Fines	1,646	93
Other	148	144
<b>Total Revenues Administered on Behalf of Government</b>	<b>7,014</b>	<b>5,153</b>

	2005 \$'000	2004 \$'000
<b>Note 18: Expenses Administered on Behalf of Government</b>		
<b>Other</b>		
Refund of fees and fines	65	61
Fees and fines – provision for doubtful debts	58	32
<b>Total Expenses Administered on Behalf of Government</b>	<b>123</b>	<b>93</b>

	2005	2004
	\$'000	\$'000
<b>Note 19: Assets Administered on Behalf of Government</b>		
<b>Financial Assets</b>		
<b>Cash</b>	<b>30</b>	38
<b>Receivables</b>		
Fees	427	179
Less: provision for doubtful debts (over 90 days)	(94)	(56)
<b>Total Receivables (net)</b>	<b>333</b>	123
<b>Total</b>	<b>363</b>	161
Receivables (gross) are aged as follows:		
Overdue by:		
- Less than 30 days	110	65
- 30 to 60 days	78	30
- 60 to 90 days	54	13
- More than 90 days	185	71
<b>Total Receivables (gross)</b>	<b>427</b>	179
<b>Total Assets Administered on Behalf of Government</b>	<b>363</b>	161

<b>Note 20: Administered Reconciliation Table</b>		
<i>Opening administered assets less administered liabilities as at 1 July</i>	161	109
Plus: Administered revenues	7,014	5,153
Less: Administered expenses	(123)	(93)
Administered transfers to/from Australian Government:		
Appropriation transfers from OPA	62	65
Transfers to OPA	(6,751)	(5,073)
<b>Closing administered assets less administered liabilities as at 30 June</b>	<b>363</b>	161

<b>Note 21: Administered Financial Instruments</b>							
Administered Interest Rate Risk							
Financial Instrument	Notes	Non-Interest Bearing		Total		Weighted Average	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 %	2004 %
<b>Financial Assets</b>							
Cash	19	30	38	30	38	n/a	n/a
Fees receivable (gross)	19	333	123	333	123	n/a	n/a
<b>Total</b>		<b>363</b>	161	<b>363</b>	161		
<b>Total Assets</b>				<b>363</b>	161		

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts.

**Note 22: Appropriations**

Note 22A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Ordinary Annual Services Appropriations

Particulars	Departmental Outputs
<b>Year ended 30 June 2005</b>	<b>\$</b>
Balance carried from previous year	14,717,000
Unspent receipts from 1999-2004 where no s31 agreement was in place <sup>1</sup>	1,325,700
<b>Unspent prior year appropriations – ineffective s31<sup>2</sup></b>	<b>7,782,996</b>
<i>Adjusted Balance carried for previous period</i> [A]	<b>5,608,304</b>
Appropriation Act (No.1) 2004-2005	68,735,000
Appropriation Act (No.3) 2004-2005	4,469,000
Departmental adjustments by the Finance Minister (Appropriation Acts)	-
Comcover receipts (Appropriation Act s13)	33,411
Adjustment of appropriations on change of entity function (FMA s32)	-
Refunds credited (FMA s30)	-
Appropriation reduced by section 9 determinations (current year)	-
Sub-total 2004-05 Annual Appropriation [B]	<b>73,237,411</b>
Appropriations to take account of recoverable GST (FMA s30A)	[C] 3,240,000
Annotations to 'net appropriations' (FMA s31)	[D] 592,405
<b>Year ended 30 June 2005 variation – s31<sup>3</sup></b>	<b>[E] 9,798,958</b>
Total appropriations available for payments [A+B+C+D+E]	<b>92,477,078</b>
Cash payments made during the year (GST inclusive)	[F] 78,637,778
Appropriations credited to special Accounts (excluding GST)	[G] -
<b>Balance of Authority to Draw Cash from the CRF for Ordinary Annual Services Appropriations</b> [A+B+C+D+E-F-G]	<b>13,839,300</b>
<i>Represented by:</i>	
Cash at bank and on hand	1,761,000
Receivable – departmental appropriations	10,752,600
Receipts from periods of no s31 agreement in years 1999-2005 not currently available	1,325,700
<b>Total</b>	<b>13,839,300</b>

Particulars	Departmental Outputs
<b>Year ended 30 June 2004 (comparative period)</b>	<b>\$</b>
Balance carried from previous year	9,277,760
Adjustment for appropriation former years	4,218,240
Appropriation Act (No.1) 2003-2004	65,976,000
Appropriation Act (No.3) 2003-2004	595,000
Appropriations to take account of recoverable GST (FMA s30A)	2,744,000
Annotations to 'net appropriations' (FMA s31)	1,558,000
Adjustment of appropriations on change of entity function (FMAA s32)	707,000
Total appropriations available for payments	85,076,000
Payments made during the year (GST inclusive)	70,359,000
Balance carried to the next period	14,717,000

Under Section 31 of the *Financial Management and Accountability Act 1997* (the FMA Act), the Minister for Finance may enter into a net appropriation agreement with an agency Minister. Appropriation Acts Nos. 1 and 3 (for the ordinary annual services of government) authorise the supplementation of an agency's annual net appropriation by amounts received in accordance with its Section 31 Agreement eg, receipts from charging for goods and services.

A condition that must be satisfied under Section 31 of the FMA Act for an annual net appropriation to be lawfully increased in this way is that the Agreement is made between the Finance Minister and the agency Minister or by officials expressly delegated or authorised by them. An agency's Chief Executive is taken to be so authorised.

(1) Although the Court has operated and recorded receipts as though a Section 31 Agreement was in place, receipts collected in the periods 1998-1999 and 1999-2000 have not been captured by a Section 31 Agreement. The Court was unable to locate a Section 31 Agreement that had been signed by the Finance Minister's delegate for these years. If no Agreement was in place for these two financial years, the appropriation balance has been overstated by \$1,325,700 in prior year statements since 1999-2000. It is understood that options are being examined for making available for spending receipts not previously captured by an agreement, to enable them to be spent in accordance with Section 83 of the Constitution.

(2) The DoFA signatory on behalf of the Finance Minister and the Court's Acting Manager Court Services (a position previously titled Manager Corporate Services) executed a Section 31 Agreement covering the period 1 July 2000 to 4 April 2005. The Court relied on an authority dated 21 December 1991 from the Attorney-General for the Manager Corporate Services to enter into net appropriation agreements for and on behalf of the Attorney-General. This authority did not specify that the authorisation was only for net appropriation agreements under the *Audit Act 1901*, and our management of net appropriations since the introduction of the FMA Act has not previously been the subject of any comment. However, we have been informed by the Australian National Audit Office that, in its view, the authority was not effective. We have also been informed that DoFA's signatory did not have the necessary delegation.

This means that, whilst we have operated and recorded Section 31 monies as though an effective agreement existed, neither signatory to the Section 31 Agreement had an express delegation or authority for signing the agreement, with the result that our agreement was ineffective and we did not have control over Section 31 monies.

The Court made a new Section 31 Agreement between the Registrar of the Court for and on behalf of the Attorney-General and the delegate of the Finance Minister on 4 April 2005 and this Agreement was replaced on 29 June 2005 with the Court's current Section 31 Agreement. Acknowledging the ineffectiveness of the earlier agreement, this agreement was varied with effect from 30 June 2005 to capture retrospectively all monies that were subject to an ineffective prior agreement.

Accordingly:

- Receipts collected in 1998-1999 under the running costs appropriations regime in place until 30 June 1999 that were not captured by a section 31 agreement amounted to \$0.648m in 1998-1999. In addition, receipts of \$0.648m in 1998-1999 were captured retrospectively.
- amounts disclosed in previous financial years as available for spending under our departmental outputs appropriations up to 30 June 2004 were overstated by \$1.326m due to the 1999-2000 missing agreement and \$7.783m for the ineffective agreement; of this amount, \$9.109m was unspent as at 30 June 2004 and was incorrectly reflected in the balance brought forward to 1 July 2004; and
- the 30 June 2005 Variation to our agreement increased our appropriation by \$9.799m, the amount of affected receipts under the ineffective agreement (\$7.783m from 2000-2001 to 2003-2004 and \$2.016m for 2004-2005);

A year-by-year analysis of overstatement of the departmental output appropriations and overspending is given below.

Year	Issue with Agreement	Receipts affected \$	Unspent \$	Amount spent without appropriation \$
<b>1998-1999</b> (Pre Accrual Budgeting)	Missing	648,000	648,000	0
<b>1999-2000</b>	Missing	1,325,700	1,325,700	0
<b>2000-2001</b>	Ineffective	2,008,578	2,008,578	0
<b>2001-2002</b>	Ineffective	2,474,587	2,474,587	0
<b>2002-2003</b>	Ineffective	1,741,831	1,741,831	0
<b>2003-2004</b>	Ineffective	1,558,000	1,558,000	0
<b>SUB-TOTAL</b>		<b>9,108,696</b>	<b>9,108,696</b>	<b>0</b>
<b>2004-2005</b>	Ineffective to 4/4/2005	2,015,962	2,015,962	0
<b>TOTAL 1/7/2000 to 30/6/2005</b>		<b>11,124,658</b>	<b>11,124,658</b>	<b>0</b>

The Court had appropriated funds for all the above financial years to cover the accumulated effect of the ineffective Section 31 Agreements.

- (3) This amount represents receipts of \$9.799m appropriated by the variation of 30 June 2005.

Note 22B: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Other than Ordinary Annual Services Appropriations

Particulars	Non-operating		Total
	Equity	Previous years' outputs	
<b>Year ended 30 June 2005</b>			
Balance carried forward from previous year	50,000	267,000	317,000
Appropriation Act (No.4) 2004-2005	1,908,000	-	1,908,000
Total appropriations available for payments	1,958,000	267,000	2,225,000
Cash payments made during the year (GST inclusive)	1,958,000	267,000	2,225,000
Balance of Authority to Draw Cash from the CRF for Other Than Ordinary Annual Services Appropriations	-	-	-

Particulars	Non-operating		Total
	Equity	Previous years' outputs	
<b>Year ended 30 June 2004 (Comparative Period)</b>			
Balance carried forward from previous year	-	-	-
Appropriation Act (No.4) 2003-2004	50,000	267,000	317,000
Total appropriations available for payments	50,000	267,000	317,000
Cash payments made during the year (GST inclusive)	-	-	-
Balance carried to the next year	50,000	267,000	317,000

**Note 23: Special Accounts****Other Trust Moneys Account**

*Legal Authority: Financial Management and Accountability Act, 1997, s 20*

*Purpose: for expenditure of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.*

	<b>2005</b>	2004
	\$	\$
Balance carried from previous year	<b>54,470</b>	100,782
Receipts during the period	<b>29,868</b>	79,992
Available for payments	<b>84,338</b>	180,774
Payments made during the period	<b>(45,556)</b>	(126,304)
Balance carried forward to next period	<b>38,782</b>	54,470

**Services for other Governments & Non-agency bodies**

*Legal authority: Financial Management and Accountability Act, 1997, s 20*

*Purpose: for expenditure in connection with services performed on behalf of other Governments and bodies that are not FMA agencies.*

	<b>2005</b>	2004
	\$	\$
Balance carried from previous year	<b>10,398</b>	10,398
Receipts during the period	-	-
Available for payments	<b>10,398</b>	10,398
Payments made during the period	-	-
Balance carried forward to next period	<b>10,398</b>	10,398

**Federal Court of Australia Litigants' Fund**

*Legal Authority: Financial Management and Accountability Act, 1997, s20*

*Purpose: to hold private moneys for litigants pending acceptance of moneys paid into Court by litigants; security for costs or pursuant to an order of a Federal Court Judge.*

	<b>2005</b>	2004
	\$	\$
Balance carried forward from previous period	<b>797,165</b>	1,242,035
Receipts during the period	<b>1,583,997</b>	12,082,733
Available for payments	<b>2,381,162</b>	13,324,768
Payments made during the period	<b>(1,181,409)</b>	(12,527,603)
Balance carried forward to next period	<b>1,199,753</b>	797,165

**Federal Court of Australia Litigants’ Fund**

*Legal authority – Financial Management and Accountability Act, 1997, s39*

*Purpose:* to invest private moneys paid by litigants pursuant to an order of a Federal Court Judge, pending an order for payment out by a Federal Court Judge.

	<u>2005</u> \$	<u>2004</u> \$
Balance carried forward from previous period	1,734,235	18,263,224
Receipts during the period	1,362,959	2,081,715
Available for payments	<u>3,097,194</u>	<u>20,344,939</u>
Payments made during period	<u>(1,422,362)</u>	<u>(18,610,704)</u>
Balance carried forward to next period	<u>1,674,832</u>	<u>1,734,235</u>

The balance of investments at year end consisted of cash management and fixed term bank accounts to which various interest rates apply.

**Note 24: Comcare account**

This account holds monies advanced to the Federal Court of Australia by COMCARE for the purpose of distributing compensation payments made in accordance with the Safety Rehabilitation and Compensation Act 1998. Where the Court makes payments against accrued sick leave entitlements pending determination of an employee’s claim, permission is obtained in writing from each individual to allow the Court to recover the payments from the monies in the account.

	<u>2005</u> \$	<u>2004</u> \$
Balance carried forward from previous period	-	2,517
Receipts during the period	33,411	18,820
Available for payments	<u>33,411</u>	<u>21,337</u>
Payments made during the period	<u>(33,411)</u>	<u>(21,337)</u>
Balance carried forward to next period	<u>-</u>	<u>-</u>

**Note 25: Reporting of Outcomes**

Note 25A: Net Cost of Outcome Delivery

The Court has one Output and Outcome:

To apply and uphold the rule of law to deliver remedies and enforce rights and in so doing, contribute to the social and economic development and well-being of all Australians.

	Outcome 1	
	2005 \$'000	2004 \$'000
Administered expenses	123	93
Departmental expenses	86,472	79,434
<b>Total expenses</b>	<b>86,595</b>	<b>79,527</b>
<i>Costs recovered from provision of goods and services to the non-government sector</i>		
Administered	-	-
Departmental	-	-
<b>Total costs recovered</b>	<b>0</b>	<b>0</b>
Other external revenues		
Administered	6,968	5,153
<b>Total Administered</b>	<b>6,968</b>	<b>5,153</b>
Departmental		
Interest on cash deposits	-	-
Revenue from sale of assets	-	-
Other	490	470
Goods and services revenue from Related Entities	2,413	1,627
<b>Total Departmental</b>	<b>2,903</b>	<b>2,097</b>
<b>Total other external revenues</b>	<b>9,871</b>	<b>7,250</b>
<b>Net cost/(contribution) of outcome</b>	<b>76,724</b>	<b>72,277</b>

Note 25B: Major Classes of Departmental Revenues and Expenses by Outputs

Outcome 1	Outcome 1	
	2005 \$'000	2004 \$'000
<b>Departmental Expenses</b>		
Judges and employees	46,608	42,759
Suppliers	37,658	34,779
Depreciation and amortisation	2,157	1,894
Other expenses	49	2
<b>Total departmental expenses</b>	<b>86,472</b>	<b>79,434</b>
<b>Funded by:</b>		
Revenues from government	85,460	79,054
Sale of goods and services	2,413	1,627
Other non-taxation revenues	490	470
<b>Total departmental revenues</b>	<b>88,363</b>	<b>81,151</b>