

APPENDIX 1

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Attorney-General

Opinion

In my opinion, the financial statements of the Federal Court of Australia for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Federal Court of Australia as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Federal Court of Australia, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Chief Executive Officer and Chief Finance Officer of the Federal Court of Australia;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Federal Court of Australia in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Federal Court of Australia the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Federal Court of Australia's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Colin Bienke
Senior Director

Delegate of the Auditor-General

Canberra

1 September 2017

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STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

Federal Court of Australia

Statement by the Chief Executive Officer and Chief Finance Officer of the Federal Court of Australia

In our opinion, the attached financial statements for the period ended 30 June 2017 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Federal Court of Australia will be able to pay its debts as and when they fall due.



Signed.....

Mr Warwick Soden OAM

Chief Executive Officer/Principal Registrar

1 September 2017



Signed.....

Ms Kathryn Hunter

Chief Finance Officer

1 September 2017

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STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

Statement of Comprehensive Income for the period ended 30 June 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Judicial Benefits	1.1A	86,940	36,204	88,014
Employee Benefits	1.1A	114,170	46,048	116,191
Suppliers	1.1B	115,056	48,254	110,545
Depreciation and Amortisation	3.2A	13,725	4,013	14,399
Finance Costs	1.1C	91	6	255
Write-Down and Impairment of Assets	1.1D	181	227	-
Total expenses		330,163	134,752	329,404
Own-Source Income				
Own-source revenue				
Sale of Goods and Rendering of Services	1.2A	3,984	1,870	3,318
Other Revenue	1.2B	390	-	-
Total own-source revenue		4,374	1,870	3,318
Gains				
Other Gains	1.2C	74,813	34,652	63,789
Total gains		74,813	34,652	63,789
Total own-source income		79,187	36,522	67,107
Net (cost of)/contribution by services		(250,976)	(98,230)	(262,297)
Revenue from Government	1.2D	245,343	94,225	242,398
Surplus/(Deficit) on continuing operations		(5,633)	(4,005)	(19,899)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in Asset Revaluation Reserve		1,817	-	-
Total other comprehensive income		(3,816)	(4,005)	(19,899)

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

Budget Variances Commentary

Statement of Comprehensive Income

Employee Benefits and Suppliers expenses

Due to the amalgamation of the Commonwealth Courts Corporate Services, the split between employee and supplier benefits was not fully known at budget time in April 2016. The increase in actual supplier costs is partially offset by reduced employee costs compared with budget.

Sale of Goods and Rendering of Services and Other Revenue

All revenue was budgeted for as goods and services revenue. During the year an assessment of revenue led to recognition that some revenue should be classified as other revenue.

Other Gains

\$9.6 million worth of assets were received free of charge in the Sydney Law Courts Building that were not included in the budget as this transaction was not certain, and the value of the assets was not then known. These assets included leasehold improvements, furniture and courtroom equipment.

APPENDIX 1

Statement of Comprehensive Income *for the period ended 30 June 2017*

Changes in Asset Revaluation Reserve

In June 2017, an asset revaluation was performed giving rise to an increase in asset values of \$0.97 million. Make good provision adjustments of \$0.84 million for leased properties were also recognised during the year relating to the Cairns and Newcastle family law registries.

APPENDIX 1

Statement of Financial Position as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and Cash Equivalents	3.1A	1,675	1,320	1,999
Trade and Other Receivables	3.1B	72,491	53,628	58,346
Other Financial Assets	3.1C	30	-	-
Total financial assets		74,196	54,948	60,345
Non-financial assets				
Land and Buildings	3.2A	41,814	13,767	32,756
Property, Plant and Equipment	3.2A	20,617	7,639	23,734
Computer Software	3.2A	8,553	3,283	10,292
Inventories	3.2B	49	-	63
Other Non-Financial Assets	3.2C	2,145	653	3,114
Total non-financial assets		73,178	25,342	69,959
Total assets		147,374	80,290	130,304
LIABILITIES				
Payables				
Suppliers	3.3A	7,910	500	4,077
Other Payables	3.3B	2,964	2,514	2,260
Total payables		10,874	3,014	6,337
Interest bearing liabilities				
Leases	3.4A	3,219	307	4,732
Total interest bearing liabilities		3,219	307	4,732
Provisions				
Employee Provisions	6.1A	58,369	24,114	61,594
Other Provisions	3.5A	3,012	84	2,969
Total provisions		61,381	24,198	64,563
Total liabilities		75,474	27,519	75,632
Net assets		71,900	52,771	54,672
EQUITY				
Contributed Equity		70,770	47,825	109,887
Reserves		8,891	7,074	29,938
Accumulated Deficit		(7,761)	(2,128)	(85,153)
Total equity		71,900	52,771	54,672

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

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Statement of Financial Position

as at 30 June 2017

Budget Variances Commentary

Statement of Financial Position

Trade and other receivables

There was an increase in appropriation receivable of over \$8 million. This is due to an underspend of capital appropriation and a lower than budgeted operating deficit.

Land and Buildings

The value of Land and Buildings increased due to the receipt of \$9.6 million of assets provided free of charge in the Sydney Law Courts Building, which was not budgeted for. These assets included leasehold improvements, furniture and courtroom equipment.

Suppliers payable

There is \$2.9 million worth of revenue that has been received for international programs projects that has not yet been spent. This item was not expected in the budget.

Employee provisions

The budget estimate was taken from a combination of the previous Family Court and Federal Circuit Court and Federal Court of Australia budgets as at April 2016. Reductions in staff numbers during the year has led to a reduction in this provision at year end when compared with budget.

Leases

New finance leases for equipment have not been entered into in 2016-17 that were expected at budget.

APPENDIX 1

Statement of Changes in Equity for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		47,825	42,861	47,829
Opening balance		47,825	42,861	47,829
Comprehensive income				
Other comprehensive income		-	-	-
Total comprehensive income/(loss)		-	-	-
Transactions with owners				
Distributions to owners				
Returns of capital				
Appropriation returned		-	(4)	-
Contributions by owners				
Equity injection		150	-	150
Departmental capital budget		13,048	4,968	13,048
Restructuring	8.1A	9,747	-	8,947
Total transactions with owners		22,945	4,964	22,145
Closing balance as at 30 June		70,770	47,825	69,974
RETAINED EARNINGS				
Opening balance				
Balance carried forward from previous period		(2,128)	1,877	(2,477)
Opening balance		(2,128)	1,877	(2,477)
Comprehensive income				
Surplus/(Deficit) for the period		(5,633)	(4,005)	(19,899)
Other comprehensive income		-	-	-
Total comprehensive income/(loss)		(5,633)	(4,005)	(19,899)
Closing balance as at 30 June		(7,761)	(2,128)	(22,376)
ASSET REVALUATION RESERVE				
Opening balance				
Balance carried forward from previous period		7,074	7,074	7,074
Opening balance		7,074	7,074	7,074
Comprehensive income				
Other comprehensive income		1,817	-	-
Total comprehensive income/(loss)		1,817	-	-
Closing balance as at 30 June		8,891	7,074	7,074

APPENDIX 1

Statement of Changes in Equity for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
TOTAL EQUITY				
Opening balance				
Balance carried forward from previous period		52,771	51,812	52,426
Opening balance		52,771	51,812	52,426
Comprehensive income				
Surplus/(Deficit) for the period		(5,633)	(4,005)	(19,899)
Other comprehensive income		1,817	-	-
Total comprehensive income/(loss)		(3,816)	(4,005)	(19,899)
Transactions with owners				
Distributions to owners				
Returns of capital				
Returned appropriation		-	(4)	-
Contributions by owners				
Equity injection		150	-	150
Departmental capital budget		13,048	4,968	13,048
Restructuring		9,747	-	8,947
Total transactions with owners		22,945	4,964	22,145
Closing balance as at 30 June		71,900	52,771	54,672

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

Accounting Policy

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Budget Variances Commentary

Statement of Changes in Equity

Restructuring

This relates to the transfer of equity through the amalgamation of the Commonwealth Courts Corporate Services for the Federal Court of Australia, the Federal Circuit Court and the Family Court of Australia.

Retained earnings

These have increased due to the receipt of \$9.6 million of assets free of charge that was not budgeted for. The Federal Court of Australia also had a lower than budgeted operating deficit.

Asset revaluation reserve

In June 2017, an asset revaluation was performed giving rise to an increase in asset values of \$0.97 million. Make good provision adjustments of \$0.84 million for leased properties were also recognised during the year relating to the Cairns and Newcastle family law registries.

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Cash Flow Statement for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		245,913	97,002	247,898
Receipts from Government		-	55	-
Sales of goods and rendering of services		3,613	2,571	3,318
Net GST received		8,376	-	-
Other		390	-	-
Total cash received		258,292	99,628	251,216
Cash used				
Employees		177,436	67,138	178,047
Suppliers		76,302	29,142	73,019
Borrowing costs		88	6	150
Net GST paid		-	326	-
Section 74 receipts transferred to OPA		5,472	2,670	-
Total cash used		259,298	99,282	251,216
Net cash (used by)/from operating activities		(1,006)	346	-
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of property, plant and equipment		25	-	-
Total cash received		25	-	-
Cash used				
Purchase of property, plant and equipment		6,335	2,015	12,823
Purchase of intangibles		2,284	578	-
Total cash used		8,619	2,593	12,823
Net cash from/(used by) investing activities		(8,594)	(2,593)	(12,823)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		9,156	3,064	13,198
Total cash received		9,156	3,064	13,198
Cash used				
Repayment of borrowings		537	100	375
Total cash used		537	100	375
Net Cash from/(used by) financing activities		8,619	2,964	12,823
Net increase (decrease) in cash held		(981)	717	-
Cash and cash equivalents at the beginning of the reporting period		1,320	603	1,999
Cash and cash equivalents at the beginning of the reporting period - restructuring		1,336	-	-
Cash and cash equivalents at the end of the reporting period	3.1A	1,675	1,320	1,999

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

APPENDIX 1

Cash Flow Statement *for the period ended 30 June 2017*

Budget Variances Commentary

Statement of Cash Flow Statement

Cash used and received for operating activities

Cash used and received for operating activities was higher than budget as the effect of transferring section 74 receipts to the Official Public Account and then re-drawing it was not accounted for in the budget.

Cash used for investing activities

Capital purchases were less than budgeted with funding provided for the amalgamation of Corporate Services being carried forward for use in future years.

This also accounts for the decrease in cash received for financing activities.

APPENDIX 1

Administered Schedule of Comprehensive Income for the period ended 30 June 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Suppliers	2.1A	682	-	894
Write-down and Impairment of Assets	2.1B	2,810	532	-
Other Expenses - Refunds of Fees	2.1C	746	456	900
Total expenses		4,238	988	1,794
Income				
Revenue				
Non-taxation revenue				
Fees and Fines	2.2A	81,206	17,385	74,101
Total non-taxation revenue		81,206	17,385	74,101
Total revenue		81,206	17,385	74,101
Total income		81,206	17,385	74,101
Net contribution by services		76,968	16,397	72,307
Total comprehensive income		76,968	16,397	72,307

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

Budget Variances Commentary

Administered Schedule of Comprehensive Income

Fees and Fines

Fees were higher than expected, due to increased filings in the Federal Circuit Court. Fines were not budgeted for, as the amount received from fines is based on the results of individual cases and is therefore unpredictable.

Suppliers

The variance was due to a lower than expected amount of clients accessing mediation and conciliation services.

Write-down and Impairment of Assets

The Courts have not previously budgeted for the write-down and impairment of assets due to uncertainty surrounding outstanding fees.

APPENDIX 1

Administered Schedule of Assets and Liabilities as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS				
Financial Assets				
Cash and Cash Equivalents	4.1A	8	66	642
Trade and Other Receivables	4.1B	4,006	2,580	4,156
Total assets administered on behalf of Government		4,014	2,646	4,798
LIABILITIES				
Payables				
Suppliers	4.2A	-	-	40
Other Payables	4.2B	662	6,459	1,168
Total liabilities administered on behalf of Government		662	6,459	1,208
Net assets/(liabilities)		3,352	(3,813)	3,590

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

Budget Variances Commentary

Administered Schedule of Assets and Liabilities

Cash and Cash Equivalents

Following the amalgamation of corporate services there has been a consolidation in cash management practices in the year which has led to a lower balance of cash held.

Other Payable

The variance in payables is due to a decrease in revenue received in advance for fees relating to future events.

APPENDIX 1

Administered Reconciliation Schedule for the period ended 30 June 2017

	2017	2016
	\$'000	\$'000
Opening assets less liabilities as at 1 July	(3,813)	1,729
Net contribution by services		
Income	81,206	17,385
Expenses		
Payments to entities other than corporate Commonwealth entities	(4,238)	(988)
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account		
Annual appropriation for administered expenses		
Payments to entities other than corporate Commonwealth entities	-	-
Supply Act 1 (2016-2017)	373	-
Appropriation Act 1 (2016-2017)	309	-
Special appropriations (unlimited) s77 PGPA Act repayments		
Payments to entities other than corporate Commonwealth entities	755	460
GST increase to appropriations s74 PGPA Act		
Payments to entities other than corporate Commonwealth entities	67	-
Appropriation transfers to OPA		
Transfers to OPA	(78,045)	(22,399)
Restructuring	6,738	-
Closing assets less liabilities as at 30 June	3,352	(3,813)

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

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the entity for use by the Government rather than the entity is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the entity on behalf of the Government and reported as such in the schedule of administered cashflows and in the administered reconciliation schedule.

APPENDIX 1

Administered Cash Flow Statement for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Fees		76,535	21,644
Fines		1,223	766
Net GST received		66	-
Total cash received		77,824	22,410
Cash used			
Suppliers		749	-
Refunds of fees		746	465
Other		12	-
Total cash used		1,507	465
Net cash from operating activities		76,317	21,945
Net increase in cash held		76,317	21,945
Cash and cash equivalents at the beginning of the reporting period - restructuring		166	-
Cash and cash equivalents at the beginning of the reporting period		66	60
Cash from Official Public Account for:			
Supply Act 1 (2016-17)		373	-
Appropriation Act 1 (2016-17)		309	-
GST increase to appropriations (s74A PGPA Act)		67	-
Special appropriation - repayments (s 77 PGPA Act)		755	460
Total cash from official public account		1,504	460
Cash to Official Public Account for:			
Transfer to OPA		(78,045)	(22,399)
Total cash to Official Public Account		(78,045)	(22,399)
Cash and cash equivalents at the end of the reporting period	4.1A	8	66

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

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Overview

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The Financial Statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2016; and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

New Accounting Standards

The following new accounting standard was issued prior to the sign-off date and is applicable to the current reporting period and had an impact on the entity's financial statements:

AASB 124 Related Party Disclosures - July 2015 (Principal) (effective date: 1 July 2016)	Refer to AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party disclosures to include application by not-for-profit public sector entities and includes implementation guidance for these entities.
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The following new accounting standard was issued by the Australian Accounting Standards Board prior to the sign-off date, which is expected to have a material impact on the entity's financial statements for future reporting periods:

AASB 16 Leases (effective date: 1 January 2019)	AASB 16 brings all leases onto the balance sheet of lessees, thereby increasing transparency surrounding such arrangements and making the lessee's balance sheet better reflect the economics of its transactions.
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Taxation

The Federal Court of Australia is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events after the Reporting Period

Departmental

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the Federal Court of Australia.

Administered

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the Federal Court of Australia.

APPENDIX 1

1. Financial Performance

This section analyses the financial performance of the Federal Court of Australia for the year ended 30 June 2017.

1.1 Expenses

	2017	2016
	\$'000	\$'000
Note 1.1A: Judicial and Employee Benefits		
Judges remuneration	61,386	21,890
Judges notional superannuation	25,554	14,314
Total judicial benefits	86,940	36,204
Wages and salaries	85,570	34,940
Employee superannuation	18,553	5,983
Leave and other entitlements	8,433	3,409
Separation and redundancies	1,614	1,716
Total employee benefits	114,170	46,048
Total judicial and employee benefits	201,110	82,252

Accounting Policy

Accounting policies for employee related expenses are contained in the People and Relationships section.

	2017	2016
	\$'000	\$'000
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
IT services	6,282	4,447
Consultants & contractors	5,494	3,470
Property operating costs	8,607	2,056
Courts operation and administration	12,922	-
Travel	8,103	3,812
Library purchases	4,281	4,377
Other	7,099	3,874
Total goods and services supplied or rendered	52,788	22,036
Goods supplied	3,752	2,773
Services rendered	49,036	19,263
Total goods and services supplied or rendered	52,788	22,036
Other suppliers		
Operating lease rentals	61,073	25,531
Workers compensation expenses	1,195	687
Total other suppliers	62,268	26,218
Total suppliers	115,056	48,254

Leasing Commitments

The Federal Court in its capacity as lessee has 12 property leases. Contingent rent is payable for two of those properties on the basis of future movements in the CPI. There are fixed increases in rent on each of those leases ranging between 2.5% and 4% annually. Six of those leases have an option to renew at the end of the lease period.

	2017	2016
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	8,050	576
Between 1 to 5 years	20,127	116
More than 5 years	2,681	-
Total lease commitments	30,858	692

Accounting Policy

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 rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is 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 straight-line basis which is representative of the pattern of benefits derived from the leased assets.

	2017	2016
	\$'000	\$'000
Note 1.1C: Finance Costs		
Finance leases	88	6
Unwinding of discount - make good	3	-
Total finance costs	91	6

Accounting Policy

All borrowing costs are expensed as incurred.

	2017	2016
	\$'000	\$'000
Note 1.1D: Write-Down and Impairment of Assets		
Impairment of inventories	13	-
Impairment on financial instruments	4	3
Impairment of plant and equipment	80	161
Impairment on intangible assets	84	63
Total write-down and impairment of assets	181	227

APPENDIX 1

1.2 Own-Source Revenue and Gains

	2017	2016
	\$'000	\$'000
Note 1.2A: Sale of Goods and Rendering of Services		
Sale of goods	2	5
Rendering of services	3,982	1,865
Total sale of goods and rendering of services	3,984	1,870

Rendering of services includes the provision of services to other agencies in both Australia and overseas. This includes \$1.499m received from New Zealand Ministry of Foreign Affairs and Trade (MFAT). Total cash received from MFAT during the financial year relating to current and future reporting periods totalled \$3.143m.

	2017	2016
	\$'000	\$'000
Note 1.2B: Other Revenue		
Other	390	-
Total other revenue	390	-

Accounting Policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the entity retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Federal Court of Australia.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date.

The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to the Federal Court of Australia.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

	2017	2016
	\$'000	\$'000
Note 1.2C: Other Gains		
Resources received free of charge	39,603	20,338
Liabilities assumed by other agencies	25,554	14,314
Other	9,656	-
Total other gains	74,813	34,652

Accounting Policy

Resources Received Free of Charge

Resources received free of charge are recognised as gains 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 those resources is recognised as an expense.

The major resources received free of charge are free use of property in the Commonwealth Law Courts Buildings and the Law Courts Building, Queen Square. The increase over the prior year is due to the amalgamation of Corporate Services. Free resources are now recognised for space used by the Family Court and Federal Circuit Court in Commonwealth Law Courts Buildings in addition to space used by the Federal Court of Australia.

Liabilities assumed by other agencies refers to the notional cost of judicial pensions.

Other gains were the receipt of assets free of charge in the Law Courts Building, Sydney.

	2017	2016
	\$'000	\$'000
Note 1.2D: Revenue from Government		
Appropriations		
Departmental appropriation	245,343	94,225
Total revenue from Government	245,343	94,225

Accounting Policy

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the entity gains control of the appropriation except for certain amounts that related 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.

APPENDIX 1

2. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Federal Court of Australia does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

2.1 Administered – Expenses

	2017	2016
	\$'000	\$'000
Note 2.1A: Suppliers		
Services rendered		
Supply of primary dispute resolution services	682	-
Total suppliers	682	-
Note 2.1B: Write-Down and Impairment of Assets		
Other	2,810	532
Total write-down and impairment of assets	2,810	532
Note 2.1C: Other Expenses		
Refunds of fees	746	456
Total other expenses	746	456

2.2 Administered – Income

	2017	2016
	\$'000	\$'000
Note 2.2A: Fees and Fines		
Revenue		
Non-Taxation Revenue		
Fees	79,984	16,619
Fines	1,222	766
Total fees and fines	81,206	17,385

Accounting Policy

All administered revenues are revenues relating to the course of ordinary activities performed by the Federal Court of Australia, the Federal Circuit Court and the Family Court of Australia on behalf of the Australian Government. As such administered revenues are not revenues of the Courts. Fees are charged for access to the Courts' services. Administered fee revenue is recognised when the service occurs. 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. Fees and Fines are recognised at their nominal amount due less any impairment allowance. Collectability of debts is reviewed at the end of the reporting period. Impairment allowances are made when collectability of the debt is judged to be less, rather than more, likely.

3. Financial Position

This section analyses the Federal Court of Australia assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

3.1 Financial Assets

	2017	2016
	\$'000	\$'000
Note 3.1A: Cash and Cash Equivalents		
Cash at bank	1,658	1,320
Cash on hand	17	-
Total cash and cash equivalents	1,675	1,320
	2017	2016
	\$'000	\$'000
Note 3.1B: Trade and Other Receivables		
Goods and services receivables		
Goods and services	750	2,463
Total goods and services receivables	750	2,463
Appropriations receivable		
Appropriation receivable - operating	62,893	47,129
Appropriation receivable - departmental capital budget	8,124	3,215
Total appropriations receivable	71,017	50,344
Other receivables		
Statutory receivables (GST)	731	828
Total other receivables	731	828
Total trade and other receivables (gross)	72,498	53,635
Less impairment allowance	(7)	(7)
Total trade and other receivables (net)	72,491	53,628

Credit terms for goods and services were within 30 days (2016: 30 days).

Accounting Policy

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Receivables'.

APPENDIX 1

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2017

	Goods and services \$'000	Other receivables \$'000	Total \$'000
Opening balance	7	-	7
Increase/(decrease) recognised in net surplus	-	-	-
Closing balance	7	-	7

Movements in relation to 2016

	Goods and services \$'000	Other receivables \$'000	Total \$'000
Opening balance	3	-	3
Increase/(decrease) recognised in net surplus	4	-	4
Closing balance	7	-	7

	2017 \$'000	2016 \$'000
Note 3.1C: Other Financial Assets		
Accrued revenue	30	-
Total other financial assets	30	-

Accounting Policy

Financial assets are assessed for impairment at the end of each reporting period.

3.2 Non-Financial Assets

Note 3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2017

	Buildings - Leasehold Improvements	Plant and equipment	Computer software ¹	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2016				
Gross book value	16,328	11,702	8,352	36,382
Accumulated depreciation, amortisation and impairment	(2,561)	(4,063)	(5,069)	(11,693)
Total as at 1 July 2016	13,767	7,639	3,283	24,689
Additions				
Purchase	2,005	4,330	2,284	8,619
Internally developed	-	-	-	-
Finance lease	-	602	-	602
Donation/Gift	7,263	2,368	-	9,631
Restructuring	25,205	9,344	5,809	40,358
Revaluations and impairments recognised in other comprehensive income	(803)	1,777	-	974
Depreciation and amortisation	(5,623)	(5,363)	(2,739)	(13,725)
Disposals				
Other	-	(80)	(84)	(164)
Total as at 30 June 2017	41,814	20,617	8,553	70,984
Total as at 30 June 2017 represented by				
Gross book value	42,290	23,517	26,431	92,238
Accumulated depreciation and impairment	(476)	(2,900)	(17,878)	(21,254)
Total as at 30 June 2017	41,814	20,617	8,553	70,984

1. The carrying amount of computer software includes \$3.702 million purchased software and \$4.851 million internally generated software.

No indicators of impairment were found for property, plant and equipment and intangibles.

No property, plant and equipment and intangibles are expected to be sold or disposed of within the next 12 months.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy. On 30 June 2017, an independent valuer conducted the revaluations and management conducted a review of the underlying drivers of the independent valuation.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

Capital commitments for property, plant and equipment are \$0.161 million (2016: \$0.435 million). Plant and equipment commitments were primarily contracts for purchases of furniture and IT equipment.

Accounting Policy

Property, plant and equipment

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

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of 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's accounts immediately prior to the restructuring.

APPENDIX 1

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; and
- 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.

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the Federal Court of Australia where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Federal Court of Australia's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, property plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly through the Income Statement except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Federal Court of Australia using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

	2017	2016
Leasehold improvements	10 to 20 years or lease term	10 to 20 years or lease term
Plant and equipment – excluding library materials	3 to 100 years	3 to 100 years
Plant and equipment – library materials	5 to 10 years	5 to 10 years

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Federal Court of Australia were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

The Federal Court of Australia's intangibles comprise externally and internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life of 5 years (2016: 5 years).

	2017 \$'000	2016 \$'000
<u>Note 3.2B: Inventories</u>		
Inventories held for distribution	49	-
Total inventories	49	-

During 2016-17, \$13,106 of inventory held for distribution was recognised as an expense (2016: Nil).

Accounting Policy

Inventories held for sale are valued at the lower of cost and net realisable value.

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- a) raw materials and stores - purchase cost on a first-in-first-out basis; and
- b) finished goods and work in progress - cost of direct materials and labour plus attributable costs that can be allocated on a reasonable basis.

Inventories acquired at no cost or nominal consideration are initially measured at current replacement cost at the date of acquisition.

	2017 \$'000	2016 \$'000
<u>Note 3.2C: Other Non-Financial Assets</u>		
Prepayments	2,145	653
Total other non-financial assets	2,145	653

No indicators of impairment were found for other non-financial assets.

APPENDIX 1

3.3 Payables

	2017	2016
	\$'000	\$'000
Note 3.3A: Suppliers		
Trade creditors and accruals	6,450	500
Operating lease rentals	1,460	-
Total suppliers	7,910	500

Settlement was usually made within 30 days.

	2017	2016
	\$'000	\$'000
Note 3.3B: Other Payables		
Salaries and wages	677	150
Superannuation	114	901
Separations and redundancies	372	890
Unearned income	925	573
Other	876	-
Total other payables	2,964	2,514

3.4 Interest Bearing Liabilities

	2017	2016
	\$'000	\$'000
Note 3.4A: Leases		
Finance leases	3,219	307
Total leases	3,219	307
Minimum leases payments expected to be settled		
Within 1 year	754	120
Between 1 to 5 years	2,465	187
More than 5 years	-	-
Total leases	3,219	307

In 2017, three finance leases existed in relation to building and property, plant and equipment assets. The leases were non-cancellable and for fixed terms averaging 6 years, with a maximum of 8 years. The interest rate implicit in the leases averaged 2.54% (2016: 2.13%). The lease assets secured the lease liabilities. The Federal Court of Australia guaranteed the residual values of all assets leased.

Accounting Policy

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 rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is 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 straight-line basis which is representative of the pattern of benefits derived from the leased assets.

3.5 Other Provisions

	2017	2016
	\$'000	\$'000
Note 3.5A: Other Provisions		
Provision for restoration obligations	2,107	84
Provision for unused office space	905	-
Total other provisions	3,012	84

	Provision for restoration \$'000	Provision for unused office space \$'000	Total \$'000
As at 1 July 2016	84	-	84
Opening balance adjustment refer to note 8.1A	2,863	-	2,863
New provision	-	905	905
Change in provisions	(842)	-	(842)
Amounts used	-	-	-
Other movements	2	-	2
Total as at 30 June 2017	2,107	905	3,012

The Federal Court of Australia currently has 8 agreements for the leasing of premises which have provisions requiring the Federal Court of Australia to restore the premises to their original condition at the conclusion of the lease. The Federal Court of Australia has made a provision to reflect the present value of this obligation.

APPENDIX 1

4. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to generate financial performance and the operating liabilities incurred as a result. The Federal Court of Australia does not control but administers these assets on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1 Administered – Financial Assets

	2017	2016
	\$'000	\$'000
Note 4.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	8	66
Total cash and cash equivalents	8	66
Note 4.1B: Trade and Other Receivables		
Goods and services receivables	6,937	3,360
Total goods and services receivables	6,937	3,360
Other receivables		
Statutory receivable (GST)	13	-
Total other receivables	13	-
Total trade and other receivables (gross)	6,950	3,360
Less impairment allowance account:		
Goods and services	(2,944)	(780)
Total impairment allowance	(2,944)	(780)
Total trade and other receivables (net)	4,006	2,580
Reconciliation of the Impairment Allowance Account:		
Movements in relation to 2017		
	Goods and services	Total
	\$'000	\$'000
As at 1 July 2016	780	780
Restructure	489	489
Amounts recovered and reversed	(10)	(10)
Amounts written off	(742)	(742)
Increase recognised in net contribution by services	2,427	2,427
Total as at 30 June 2017	2,944	2,944
Movements in relation to 2016		
	Goods and services	Total
	\$'000	\$'000
As at 1 July 2015	498	498
Amounts written off	(230)	(230)
Amounts recovered and reversed	(8)	(8)
Increase recognised in net contribution by services	520	520
Total as at 30 June 2016	780	780

Accounting Policy

Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collection of debts is judged to be less rather than more likely. Credit terms for goods and services were within 30 days (2016: 30 days).

4.2 Administered – Payables

	2017	2016
	\$'000	\$'000
Note 4.2A: Suppliers		
Trade creditors and accruals	-	-
Total supplier payables	-	-
Note 4.2B: Other Payables		
Unearned income	662	-
Accrued expenses	-	6,459
Total other payables	662	6,459

APPENDIX 1

5. Funding

This section identifies the Federal Court of Australia funding structure.

5.1 Appropriations

Note 5.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2017

	Annual Appropriation ¹ \$'000	Adjustments to Appropriation \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance ² \$'000
Departmental					
Ordinary annual services	245,343	16,334	261,677	255,726	5,951
Capital Budget	13,048	868	13,916	9,157	4,759
Other services					
Equity	150	-	150	-	150
Loans	-	-	-	-	-
Total departmental	258,541	17,202	275,743	264,883	10,860
Administered					
Ordinary annual services					
Administered items	894	-	894	682	212
Payments to Corporate Commonwealth entities	-	-	-	-	-
Other services					
Administered assets and liabilities	-	-	-	-	-
Payments to Corporate Commonwealth entities	-	-	-	-	-
Total administered	894	-	894	682	212

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

2. The variance in the expenditure for ordinary annual services is due to timing differences of payments.

Annual Appropriations for 2016

	Annual Appropriation ¹ \$'000	Adjustments to Appropriation \$'000	Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ² \$'000
Departmental					
Ordinary annual services	94,225	2,571	96,796	(96,286)	510
Capital Budget	4,968	-	4,968	(2,693)	2,275
Other services	-	-	-	-	-
Equity	-	-	-	-	-
Loans	-	-	-	-	-
Previous years' outputs	-	-	-	-	-
Total departmental	99,193	2,571	101,764	(98,979)	2,785
Administered					
Ordinary annual services	-	-	-	-	-
Administered items	-	-	-	-	-
Payments to Corporate Commonwealth entities	-	-	-	-	-
Other services	-	-	-	-	-
Administered assets and liabilities	-	-	-	-	-
Payments to Corporate Commonwealth entities	-	-	-	-	-
Total administered	-	-	-	-	-

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1, 3). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.
2. The variance in the expenditure for ordinary annual services is due to timing differences of payments. The underspend of capital appropriation is due to capital projects related to the amalgamation with the Family Court and Federal Circuit Court not taking place until after the amalgamation on 1 July 2016.

APPENDIX 1

Note 5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2017 \$'000	2016 \$'000
Departmental		
Appropriation Act (No. 1) 2015-16	-	50,149
Appropriation Act (No. 3) 2015-16	-	195
Appropriation Act (No. 1) 2016-17	59,948	-
Appropriation Act (No. 1) 2016-17 - Capital budget	7,611	-
Appropriation Act (No. 2) 2016-17 - Equity injection	150	-
Appropriation Act (No. 3) 2016-17	2,945	-
Supply Act 1 2016-17 - Capital budget	363	-
Cash at bank	1,670	1,320
Total departmental	72,687	51,664
Administered		
Appropriation Act (No 1) 2016-17	212	-
Total administered	212	-

Note 5.1C: Special Appropriations ('Recoverable GST exclusive')

	Appropriation applied	
	2017 \$'000	2016 \$'000
Authority		
Public Governance, Performance and Accountability Act 2013, Section 77, Administered	755	465
Total	755	465

5.2 Special Accounts

Note 5.2A: Special Accounts ('Recoverable GST exclusive')

	Services for other entities and Trust Moneys Special Account ¹		Federal Court Of Australia Litigants Fund Special Account ²		Family Court and Federal Circuit Court Litigants Fund Special Account ³	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	820	-	29,809	14,554	411	486
Increases	211	1,644	13,050	24,365	2,595	640
Total increases	211	1,644	13,050	24,365	2,595	640
Available for payments	1,031	1,644	42,859	38,919	3,006	1,126
Decreases						
Departmental	1,031	824	-	9,110	-	-
Total departmental	1,031	824	-	9,110	-	-
Administered	-	-	19,981	-	2,037	715
Total administered	-	-	19,981	-	2,037	715
Total decreases	1,031	824	19,981	9,110	2,037	715
Total balance carried to the next period	-	820	22,878	29,809	969	411
Balance represented by:						
Cash held in entity bank accounts	-	820	22,878	29,809	969	-
Cash held in the Official Public Account	-	-	-	-	-	411
Total balance carried to the next period	-	820	22,878	29,809	969	411

1. Appropriation: *Public Governance Performance and Accountability Act* section 78. Establishing Instrument: *FMA Determination 2012/11*. Purpose: To disburse amounts held in trust or otherwise for the benefit of a person other than the Commonwealth.

2. Appropriation: *Public Governance Performance and Accountability Act* section 78. Establishing Instrument: *PGPA Act Determination (Establishment of FCA Litigants' Fund Special Account 2017)*. Purpose: The purpose of the Federal Court of Australia Litigants' Fund Special Account in relation to which amounts may be debited from the Special Account are:

a) In accordance with:

- (i) An order of the Federal Court of Australia or a Judge of that Court under Rule 2.43 of the Federal Court Rules; or
- (ii) A direction of a Registrar under that Order; and

b) In any other case in accordance with the order of the Federal Court of Australia or a Judge of that Court.

3. Appropriation: *Public Governance Performance and Accountability Act* section 78. Establishing Instrument: *Determination 2013/06*.

The Finance Minister has issued a determination under Subsection 20(1) of the FMA ACT 1997 (repealed) establishing the Federal Court of Australia Litigants' Fund Special Account when the Federal Circuit Court of Australia and Family Court of Australia merged on 1 July 2014. The legislation allows for the continued existence of the Special Account despite the repeal of the FMA Act. Purpose: Litigants Fund Special Account

- (a) for amounts received in respect of proceedings of the Family Court of Australia or the Federal Circuit Court of Australia (formerly the Federal Magistrates Court of Australia);
- (b) for amounts received in respect of proceedings that have been transferred from another court to the Family Court of Australia or to the Federal Circuit Court of Australia (formerly the Federal Magistrates Court of Australia);
- (c) for amounts received from the Family Court of Australia Litigants' Fund Special Account or the Federal Magistrates Court Litigants' Fund Special Account;
- (d) to make payments in accordance with an order (however described) made by a court under the Family Law Act 1975, the Family Court of Australia, or a Judge of that Court;
- (e) to make payments in accordance with an order (however described) made by a court under the Federal Circuit Court of Australia Act 1999 (formerly the Federal Magistrates Act 1999), the Federal Circuit Court of Australia (formerly the Federal Magistrates Court of Australia), or a Judge (formerly Federal Magistrate) of that Court;
- (f) to repay amounts received by the Commonwealth and credited to this Special Account where an Act of Parliament or other law requires or permits the amount to be repaid; and
- (g) to reduce the balance of this Special Account without making a real or notional payment.

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APPENDIX 1

5.3 Net Cash Appropriation Arrangements

	2017 \$'000	2016 \$'000
Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations	9,909	8
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(13,725)	(4,013)
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	(3,816)	(4,005)

6. People and Relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

6.1 Employee Provisions

	2017	2016
	\$'000	\$'000
Note 6.1A: Employee Provisions		
Leave	26,406	12,434
Judges leave	31,963	11,294
Separations and redundancies	-	386
Total employee provisions	58,369	24,114

Accounting Policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts.

Other long-term judge and employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Federal Court of Australia'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 liability for annual leave and long service leave has been determined by reference to the work of an actuary as at 30 June 2017. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Federal Court of Australia recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The Federal Court of Australia's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The entity makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

Judges' Pension

Under the *Judges' Pension Act 1968*, Federal Court and Family Court Judges are entitled to a non-contributory pension upon retirement after 6 years service (Federal court Judges) and 10 years service (Family Court Judges). As the liability for these pension payments is assumed by the Australian Government, the entity has not recognised a liability for unfunded superannuation liability. The Federal Court of Australia does, however, recognise a revenue and corresponding expense item, "Liabilities assumed by other agencies", in respect of the notional amount of the employer contributions to Judges' pensions for the reporting period amounting to \$25.554 million (2016: \$14.314 million). The contribution rate has been provided by the Australian Government Actuary.

APPENDIX 1

6.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Chief Executive Officers, Executive Director, the Chief Justices and Chief Judge. Key management personnel remuneration is reported in the table below:

	2017 \$'000
Short-term employee benefits	3,446
Post-employment benefits	1,121
Other long-term employee benefits	484
Termination benefits	-
Total key management personnel remuneration expenses	5,051

The total number of senior management personnel that are included in the above table are 11.

6.3 Related Party Disclosures

Related party relationships:

The entity is an Australian Government controlled entity within the Attorney-General's portfolio. Key Management Personnel includes the Executive and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher educational loans. These transactions have not been separately disclosed in this note.

Significant transactions with related parties can include:

- the payments of grants or loans;
- purchases of goods and services;
- asset purchases, sales transfers or leases;
- debts forgiven; and
- guarantees.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no related party transactions to be separately disclosed.

7. Managing Uncertainties

This section analyses how the Federal Court of Australia manages financial risks within its operating environment.

7.1 Contingent Liabilities and Assets

Note 7.1A: Contingent Liabilities and Assets

Quantifiable Contingencies

The Federal Court of Australia has no quantifiable contingent assets or liabilities as at 30 June 2017 (2016: none).

Unquantifiable Contingencies

The Federal Court of Australia has no unquantifiable contingent assets or liabilities as at 30 June 2017 (2016: none).

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Note 7.1B: Administered Contingent Assets and Liabilities

The Courts have no quantifiable or unquantifiable administered contingent liabilities or assets as at 30 June 2017 (2016: none).

APPENDIX 1

7.2 Financial Instruments

	2017	2016
	\$'000	\$'000
Note 7.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	1,675	1,320
Trade and other receivables	743	2,456
Total financial assets	2,418	3,776
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	7,910	500
Finance leases	3,219	307
Total financial liabilities	11,129	807

Accounting Policy

Financial Assets

The Federal Court of Australia has financial assets only in the nature of cash and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

The fair value of financial instruments approximates its carrying value.

	2017	2016
	\$'000	\$'000
Note 7.2B: Net Gains or Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
Interest expense	88	6
Net gains/(losses) on financial liabilities measured at amortised cost	88	6

7.3 Administered – Financial Instruments

	2017	2016
	\$'000	\$'000
Note 7.3A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	8	66
Other receivables	4,006	2,580
Carrying amount of financial assets	4,014	2,646
Financial Liabilities		
At amortised cost		
Suppliers	-	-
Carrying amount of financial liabilities	-	-

7.4 Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the statement of financial position do not apply the fair value hierarchy. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Accounting Policy

AASB 2015-7 provides relief for not-for-profit public sector entities from making certain specified disclosures about the fair value measurement of assets measured at fair value and categorised within Level 3 of the fair value hierarchy.

Valuations are performed regularly so as to ensure that the carrying amount does not materially differ from fair value at the reporting date. A valuation was made by an external valuer in 2017. The Federal Court of Australia reviews the method used by the valuer annually.

Note 7.4A: Fair Value Measurement

	Fair value measurements at the end of the reporting period	
	2017	2016
	\$'000	\$'000
Non-financial assets		
Leasehold improvements - Level 3	41,814	13,767
Plant and equipment – Level 2	7,873	4,959
Plant and equipment – Level 3	12,744	2,680

The Court's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of these assets is considered to be the highest and best use.

There have been no transfers between the levels of the hierarchy during the year. The Court deems transfers between levels of the fair value hierarchy to have occurred when advised by an independent valuer or a change in the market for particular items.

APPENDIX 1

8. Other Information

This section provides other disclosures relevant to the Federal Court of Australia financial information environment for the year.

8.1 Restructuring

Note 8.1A: Departmental Restructuring

On 1 July 2016, the Family Court and Federal Circuit Court merged with the Federal Court of Australia.

As a part of the amalgamation process the assets and liabilities of the Family Court and Federal Circuit Court were transferred into the Federal Court and are reflected in the Courts' accounts for 2016-17.

The 2015-16 comparatives included in these financial statements are the comparatives for the Federal Court of Australia.

For prior year comparative information for the Family Court and Federal Circuit Court please refer to the annual reports available at www.familycourt.gov.au and www.federalcircuitcourt.gov.au.

	Family Court and Federal Circuit Court to the Federal Court of Australia 1 July 2016
FUNCTIONS ASSUMED	\$'000
Assets Recognised	
Financial Assets	
Cash and cash equivalents	1,336
Trade and other receivables:	12,856
Total Financial Assets	14,192
Non-financial Assets	
Land and building	25,205
Property, plant and equipment	9,344
Computer software	5,809
Inventories	64
Other Non-financial assets	1,917
Total non-financial assets	42,339
Total Assets Recognised	56,531
Liabilities recognised	
Payables	
Suppliers	2,731
Other payables	3,717
Total payables	6,448
Interest bearing liabilities	
Leases	2,879
Total interest bearing liabilities	2,879
Provisions	
Employee provision	34,594
Other provisions	2,863
Total provisions	37,457
Total liabilities recognised	46,784
Net assets assumed¹	9,747

1. In respect of the function assumed, the assets and liabilities were transferred to the Federal Court of Australia for no consideration.

Note 8.1B: Administered Restructuring

	Family Court and Federal Circuit Court to the Federal Court of Australia 1 July 2016
FUNCTIONS ASSUMED	\$'000
Assets recognised	
Cash and cash equivalents	166
Trade and other receivables	7,025
Total assets recognised	7,191
Liabilities recognised	
Suppliers	-
Unearned income	453
Total liabilities recognised	453
Net assets assumed	6,738

1. The net administered assets assumed from The Family Court and Federal Circuit Court were \$6,738,151.
2. In respect of the function assumed, the net book values of assets and liabilities were transferred to the Court for no consideration.