



PART 6

APPENDICES



INDEPENDENT AUDITOR'S REPORT

To the Attorney-General

Opinion

In my opinion, the financial statements of the Federal Court of Australia ('the Entity') for the year ended 30 June 2019:

- (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 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 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;
- Overview; 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 Entity 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* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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 Entity, the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) 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.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the ability of the Entity 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, as applicable, matters related to going concern 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



6 September 2019

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 2019 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..... 	Signed..... 
Mr Warwick Soden OAM	Ms Kathryn Hunter
Chief Executive Officer/Principal Registrar	Chief Finance Officer
06 September 2019	06 September 2019

Statement of Comprehensive Income
for the period ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Judicial benefits	1.1A	105,165	96,705	94,142
Employee benefits	1.1A	118,034	110,690	114,652
Suppliers	1.1B	117,297	116,005	117,901
Depreciation and amortisation	3.2A	13,882	16,253	14,956
Finance costs	1.1C	313	131	34
Impairment loss allowance on financial instruments	1.1D	1	-	-
Write-down and impairment of assets	1.1E	576	360	-
Total expenses		355,268	340,144	341,685
Own-Source income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	4,081	4,586	3,894
Other revenue	1.2B	382	507	-
Total own-source revenue		4,463	5,093	3,894
Other gains				
Resources received free of charge		42,557	41,821	38,971
Liabilities assumed by other agencies		33,394	27,111	26,637
Other gains		214	6	-
Total gains	1.2C	76,165	68,938	65,608
Total own-source income		80,628	74,031	69,502
Net cost of by services		(274,640)	(266,113)	(272,183)
Revenue from Government	1.2D	265,352	252,620	257,227
Deficit on continuing operations		(9,288)	(13,493)	(14,956)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		57	(211)	-
Total other comprehensive income		57	(211)	-
Total comprehensive loss		(9,231)	(13,704)	(14,956)

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

Budget Variances Commentary

Statement of Comprehensive Income

Judicial benefits

Judicial benefits are higher than budgeted due to an increase to judicial salaries by the remuneration tribunal, the appointment of additional Judges by Government during 2018-19 and the revaluation of accrued leave liabilities to reflect movements in bond rates which added \$0.6m to expenses.

Employee benefits

Employee expenses are higher than budget due to the revaluation of accrued leave liabilities to reflect movements in bond rates which added \$2.6m to expenses. There were also higher than budgeted severance and redundancy costs.

Statement of Comprehensive Income

for the period ended 30 June 2019

Depreciation and amortisation

Depreciation expenses are lower than budgeted due to asset purchases during the year being lower than expected.

Finance costs

Finance costs are higher than budgeted due to the impact of bond rate changes impact on the unwinding of discount on make good expenses. There were also additional equipment leases entered into during the year.

Sale of goods and rendering of services

The Court received higher revenue than was anticipated in relation to its International Programs work.

Other revenue

The Court received unanticipated revenue in relation to ad-hoc international projects and for work related to a native title matter.

Other gains

The liabilities assumed by other agencies in relation to notional judicial superannuation costs was higher than budgeted due to an increase in the actuarial assessment of the value of these benefits.

Revenue from Government

This is higher than budgeted due to additional appropriation received from Government at additional estimates. This was appropriated for new measures and to cover the increase in judicial salaries.

Statement of Financial Position
as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	3.1A	1,237	1,353	1,675
Trade and other receivables	3.1B	90,552	78,993	70,987
Accrued revenue		8	14	30
Total financial assets		91,797	80,360	72,692
Non-financial assets				
Buildings	3.2A	33,318	38,056	37,323
Plant and equipment	3.2A	14,781	14,445	15,032
Computer software	3.2A	11,397	10,417	10,967
Inventories	3.2B	39	39	49
Prepayments		1,767	2,563	2,145
Total non-financial assets		61,302	65,520	65,516
Total assets		153,099	145,880	138,208
LIABILITIES				
Payables				
Suppliers	3.3A	7,911	7,722	7,910
Other payables	3.3B	2,437	2,268	2,144
Total payables		10,348	9,990	10,054
Interest bearing liabilities				
Leases	3.4A	2,574	2,506	1,649
Total interest bearing liabilities		2,574	2,506	1,649
Provisions				
Employee provisions	6.1A	62,390	59,915	58,369
Other provisions	3.5A	4,065	2,811	3,012
Total provisions		66,455	62,726	61,381
Total liabilities		79,377	75,222	73,084
Net assets		73,722	70,658	65,124
EQUITY				
Contributed equity		95,527	83,232	95,527
Reserves		8,737	8,680	8,891
Accumulated deficit		(30,542)	(21,254)	(39,294)
Total equity		73,722	70,658	65,124

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

Statement of Financial Position*as at 30 June 2019***Budget Variances Commentary****Statement of Financial Position**Trade and other receivables

Appropriation receivable is higher than budgeted due to appropriation received for projects that have not commenced as they require Government legislation to be passed. There was also an underspend of capital appropriation in 2019-20 due to delays in building and software development projects.

Buildings

The value of buildings is lower than budgeted due to two building projects which have been delayed.

Prepayments

There is a decrease in supplier prepayments due to the timing of supplier payments.

Other payables

Other payables includes \$231k in staff leave liability transferred from another agency that was not expected at the time of the budget.

Employee provisions

Provisions for leave liability were revalued due to remuneration increases for judges and employees and movements in bond rates which led to an unbudgeted \$4m increase in value.

Other provisions

Additional makegood provisions were required that were not known at the time of the budget.

Statement of Changes in Equity
for the period ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY				
Opening balance				
Balance carried forward from previous period		83,232	70,770	83,232
Adjusted opening balance		83,232	70,770	83,232
Comprehensive income				
Other comprehensive income		-	-	-
Total comprehensive income		-	-	-
Transactions with owners				
Contributions by owners				
Departmental capital budget		12,295	12,462	12,295
Total transactions with owners		12,295	12,462	12,295
Closing balance as at 30 June		95,527	83,232	95,527
RETAINED EARNINGS/(ACCUMULATED DEFICIT)				
Opening balance				
Balance carried forward from previous period		(21,254)	(7,761)	(24,338)
Adjusted opening balance		(21,254)	(7,761)	(24,338)
Comprehensive income				
Deficit for the period		(9,288)	(13,493)	(14,956)
Other comprehensive income		-	-	-
Total comprehensive loss		(9,288)	(13,493)	(14,956)
Closing balance as at 30 June		(30,542)	(21,254)	(39,294)
ASSET REVALUATION RESERVE				
Opening balance				
Balance carried forward from previous period		8,680	8,891	8,891
Adjusted opening balance		8,680	8,891	8,891
Comprehensive income				
Other comprehensive income		57	(211)	-
Total comprehensive loss		57	(211)	-
Closing balance as at 30 June		8,737	8,680	8,891

Statement of Changes in Equity
for the period ended 30 June 2019

	2019	2018	Original Budget
Notes	\$'000	\$'000	\$'000
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	70,658	71,900	67,785
Adjusted opening balance	70,658	71,900	67,785
Comprehensive income			
Deficit for the period	(9,288)	(13,493)	(14,956)
Other comprehensive income	57	(211)	-
Total comprehensive loss	(9,231)	(13,704)	(14,956)
Transactions with owners			
Contributions by owners			
Departmental capital budget	12,295	12,462	12,295
Total transactions with owners	12,295	12,462	12,295
Closing balance as at 30 June	73,722	70,658	65,124

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

Accumulated deficit

The improved financial results of the Court compared to budget in 2017-18 and 2018-19 have led to a better than forecast equity position.

Cash Flow Statement
for the period ended 30 June 2019

	2019	2018	Original Budget
Notes	S'000	S'000	S'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	261,991	254,012	257,227
Sales of goods and rendering of services	4,067	4,715	3,894
GST received	7,469	6,170	-
Other	382	267	-
Total cash received	273,909	265,164	261,121
Cash used			
Employees	187,134	178,993	182,777
Suppliers	82,334	82,712	78,273
Borrowing costs	64	78	71
Section 74 receipts transferred to OPA	4,706	3,708	-
Total cash used	274,238	265,491	261,121
Net cash used by operating activities	(329)	(327)	-
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	214	6	-
Total cash received	214	6	-
Cash used			
Purchase of property, plant and equipment	4,413	3,923	11,100
Purchase of intangibles	3,653	4,608	-
Total cash used	8,066	8,531	11,100
Net cash used by investing activities	(7,852)	(8,525)	(11,100)
FINANCING ACTIVITIES			
Cash received			
Contributed equity	8,769	9,244	12,295
Total cash received	8,769	9,244	12,295
Cash used			
Repayment of finance lease	704	714	1,195
Total cash used	704	714	1,195
Net Cash from financing activities	8,065	8,530	11,100
Net decrease in cash held	(116)	(322)	-
Cash and cash equivalents at the beginning of the reporting period	1,353	1,675	1,675
Cash and cash equivalents at the end of the reporting period	1,237	1,353	1,675

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

Cash Flow Statement

for the period ended 30 June 2019

Budget Variances Commentary

Statement of Cash Flow Statement

Cash used for operating activities

Employee costs have increased in line with reasons outlined in the statement of comprehensive income.

Section 74 receipts relates to miscellaneous income received by the Courts in relation to services provided. This is not budgeted for due to their unpredictability.

Cash received from investing activities

Cash from the sale of assets was not budgeted for as it is unpredictable.

Cash used for investing activities and contributed equity

Asset purchases were lower than expected due to a delay in the completion of building and software development projects.

Repayment of borrowing

Repayments of borrowing are lower than budgeted due to different arrangements entered into for the lease of equipment than anticipated.

Administered Schedule of Comprehensive Income
for the period ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Suppliers	2.1A	807	777	880
Impairment loss allowance on financial instruments	2.1B	3,289	-	1,000
Write-down and impairment of other assets	2.1C	-	3,730	-
Other expenses - refunds of fees	2.1D	918	536	900
Total expenses		5,014	5,043	2,780
Income				
Revenue				
Non-taxation revenue				
Fees and fines	2.2A	89,034	107,890	77,353
Total non-taxation revenue		89,034	107,890	77,353
Total revenue		89,034	107,890	77,353
Total income		89,034	107,890	77,353
Net contribution by services		84,020	102,847	74,573
Total comprehensive income		84,020	102,847	74,573

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

Budget Variances Commentary

Administered Schedule of Comprehensive Income

Fees and fines

The variance to budget is due to the uncertainty in estimating fee revenue.

Impairment loss allowance of financial instruments and write-down and impairment of other assets

The variance to budget is due to the uncertainty in estimating fees that may become impaired during the period and the change to impairment measurement methodology following the implementation of AASB9 *Financial Instruments*.

Other expenses

Other expenses relates to the refund of fees. The variance to budget is due to the uncertainty in estimating the amount of fees that may require refund during the period.

Administered Schedule of Assets and Liabilities
as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000	Original Budget \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents	4.1A	142	136	8
Trade and other receivables	4.1B	2,250	4,599	4,006
Total assets administered on behalf of Government		2,392	4,735	4,014
LIABILITIES				
Payables				
Suppliers	4.2A	89	-	-
Other payables	4.2B	610	513	662
Total liabilities administered on behalf of Government		699	513	662
Net assets		1,693	4,222	3,352

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

There is inherent uncertainty in estimating the cash balance on any particular day.

Trade and other receivables

The variance to budget is due to the uncertainty in estimating the number of unpaid fees and the effect of the implementation of AASB9 *Financial Instruments*.

Suppliers

The variance to budget is a timing difference due to invoices received after 30th June 2019.

Administered Reconciliation Schedule
for the period ended 30 June 2019

	2019	2018
	\$'000	\$'000
Opening assets less liabilities as at 1 July	4,222	3,352
Adjustment for change in accounting policies	(1,854)	-
Adjustments for rounding	(1)	-
Adjusted opening assets less liabilities	2,367	3,352
Net contribution by services		
Income	89,034	107,890
Expenses		
Payments to entities other than corporate Commonwealth entities	(5,014)	(5,043)
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account		
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	718	777
Special appropriations (unlimited) s77 PGPA Act repayments		
Payments to entities other than corporate Commonwealth entities	923	553
GST increase to appropriations s74 PGPA Act		
Payments to entities other than corporate Commonwealth entities	71	78
Appropriation transfers to OPA		
Transfers to OPA	(86,406)	(103,385)
Restructuring	-	-
Closing assets less liabilities as at 30 June	1,693	4,222

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.

Administered Cash Flow Statement
for the period ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
OPERATING ACTIVITIES			
Cash received			
Fees		81,509	76,600
Fines		4,833	26,827
GST received		70	86
Total cash received		<u>86,412</u>	<u>103,513</u>
Cash used			
Suppliers		789	855
Refunds of fees		918	536
Other		5	17
Total cash used		<u>1,712</u>	<u>1,408</u>
Net cash from operating activities		<u>84,700</u>	<u>102,105</u>
Net increase in cash held		<u>84,700</u>	<u>102,105</u>
Cash and cash equivalents at the beginning of the reporting period		136	8
Cash from Official Public Account for:			
Appropriations		1,712	1,408
Total cash from official public account		<u>1,712</u>	<u>1,408</u>
Cash to Official Public Account for:			
Transfer to OPA		(86,406)	(103,385)
Total cash to official public account		<u>(86,406)</u>	<u>(103,385)</u>
Cash and cash equivalents at the end of the reporting period	4.1A	<u>142</u>	<u>136</u>
The above statement should be read in conjunction with the accompanying notes.			

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); 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.

The Federal Court of Australia is a combined Courts Agency established under the Public Governance, Performance and Accountability Act 2013 (PGPA Act). The Entity has been established as a non-corporate Commonwealth entity under the PGPA Act to manage the operations of the Federal Court of Australia, Family Court of Australia, Federal Circuit Court of Australia, the National Native Title Tribunal and the Commonwealth Courts Corporate Services. The Federal Court of Australia, Family Court of Australia and Federal Circuit Court of Australia are Chapter III Courts under the Australian Constitution and continue to operate as individual judicial jurisdictions.

New Accounting Standards

AASB 9: Financial Instruments

The introduction of this revised standard has led to a change in the measurement of the impairment of financial instruments. This has had a material effect on the measurement of outstanding receivables related to administered fees.

In accordance with the standard the Court now recognises impairment on administered debt proportionally from the moment a debt becomes overdue. This has led to the following adjustments:

Opening doubtful debt provision has been increased by \$1.854m.

Trade and other receivables is reduced by \$1.854m.

Impairment Loss Allowance on Financial Instruments is \$3.289m.

See Note 7.3 for detailed information.

The introduction of this standard did not have a material effect on the Court's departmental financial statements.

All other new accounting standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the Court's financial statements.

It is expected that the introduction of AASB 16: *Leases* will have a material effect on the presentation of the Court's financial statements in the 2019-20 financial year.

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 were no subsequent events that had the potential to significantly affect the ongoing structure and financial activities of the Federal Court of Australia.

Administered

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

1. Financial Performance

This section analyses the financial performance of the Federal Court of Australia for the year ended 30 June 2019.

1.1 Expenses

	2019	2018
	\$'000	\$'000
Note 1.1A: Judicial and Employee Benefits		
Judges' remuneration	67,776	65,757
Judicial superannuation defined contribution	3,996	3,837
Judges' notional superannuation	33,393	27,111
Total judicial benefits	105,165	96,705
Wages and salaries	83,942	80,410
Superannuation		
Defined contribution plans	9,420	8,721
Defined benefit plans	5,733	5,898
Leave and other entitlements	16,056	13,885
Separation and redundancies	2,883	1,776
Total employee benefits	118,034	110,690
Total judicial and employee benefits	223,199	207,395

Accounting Policy

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

	2019	2018
	\$'000	\$'000
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
IT services	7,456	8,910
Consultants & contractors	2,815	3,458
Property operating costs	9,901	9,235
Courts operation and administration	13,723	13,432
Travel	8,410	7,513
Library expenses	4,312	4,253
Other	7,097	6,652
Total goods and services supplied or rendered	53,714	53,453
Goods supplied	3,692	5,790
Services rendered	50,022	47,663
Total goods and services supplied or rendered	53,714	53,453
Other suppliers		
Operating lease rentals	62,090	61,598
Workers compensation expenses	1,493	954
Total other suppliers	63,583	62,552
Total suppliers	117,297	116,005

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.

	2019	2018
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payables as follows:		
Within 1 year	6,875	6,932
Between 1 to 5 years	22,509	16,112
More than 5 years	17,987	1,024
Total operating lease commitments	47,371	24,068

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.

	2019	2018
	\$'000	\$'000
Note 1.1C: Finance Costs		
Finance leases	65	78
Unwinding of discount - make good	248	53
Total finance costs	313	131

Accounting Policy

All borrowing costs are expensed as incurred.

	2019	2018
	\$'000	\$'000
Note 1.1D: Impairment Loss Allowance on Financial Instruments		
Impairment on financial instruments	1	-
Total impairment on financial instruments	1	-

	2019	2018
	\$'000	\$'000
Note 1.1E: Write-Down and Impairment of Other Assets		
Impairment of inventories	9	15
Impairment of plant and equipment	72	16
Impairment on intangible assets	-	26
Impairment on buildings	495	303
Total write-down and impairment of other assets	576	360

1.2 Own-Source Revenue and Gains

	2019	2018
	\$'000	\$'000

Own-Source Revenue**Note 1.2A: Sale of Goods and Rendering of Services**

Sale of goods	1	1
Rendering of services	4,080	4,585
Total sale of goods and rendering of services	4,081	4,586

Rendering of services includes the provision of services to other agencies in both Australia and overseas. This includes \$2.40m received from the New Zealand Ministry of Foreign Affairs and Trade (MFAT).

	2019	2018
	\$'000	\$'000

Note 1.2B: Other Revenue

Reimbursements from other agencies	382	507
Total other revenue	382	507

Accounting Policy

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) the entity retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) 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:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) 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 of costs incurred to date compared 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. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collection of the debt is no longer probable.

	2019	2018
	\$'000	\$'000
Note 1.2C: Other Gains		
Resources received free of charge	42,557	41,821
Liabilities assumed by other agencies	33,394	27,111
Gain on sale of assets	<u>214</u>	<u>6</u>
Total other gains	<u>76,165</u>	<u>68,938</u>

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 the use of property in the Commonwealth Law Courts Buildings in each capital city and the Law Courts Building in Sydney.

Liabilities assumed by other agencies refers to the notional cost of judicial pensions as calculated by actuaries on behalf of the Department of Finance.

	2019	2018
	\$'000	\$'000
Note 1.2D: Revenue from Government		
Departmental appropriation	264,806	252,620
Revenue from Government (supplementation)	<u>546</u>	<u>-</u>
Total revenue from Government	<u>265,352</u>	<u>252,620</u>

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.

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

	2019	2018
	\$'000	\$'000
Note 2.1A: Suppliers		
Services rendered		
Supply of primary dispute resolution services	807	777
Total suppliers	807	777
Note 2.1B: Impairment Loss Allowance on Financial Instruments		
Impairment of financial instruments	3,289	-
Total impairment on financial instruments	3,289	-
Note 2.1C: Write-Down and Impairment of Other Assets		
Impairment of financial assets	-	3,730
Total write-down and impairment of other assets	-	3,730
Note 2.1D: Other Expenses		
Refunds of fees	918	536
Total other expenses	918	536

2.2 Administered – Income

	2019	2018
	\$'000	\$'000
Non-Taxation Revenue		
Note 2.2A: Fees and Fines		
Fees	84,201	81,063
Fines	4,833	26,827
Total fees and fines	89,034	107,890

Accounting Policy

All administered revenues relate 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 when a fine is paid to the Court on behalf of the Government. 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

	2019	2018
	\$'000	\$'000
Note 3.1A: Cash and Cash Equivalents		
Cash at bank	1,224	1,336
Cash on hand	13	17
Total cash and cash equivalents	1,237	1,353
	2019	2018
	\$'000	\$'000
Note 3.1B: Trade and Other Receivables		
Goods and services receivables		
Goods and services	627	488
Total goods and services receivables	627	488
Appropriations receivable		
Appropriation receivable - operating	72,730	65,209
Appropriation receivable - departmental capital budget	14,867	11,342
Total appropriations receivable	87,597	76,551
Other receivables		
Statutory receivables (GST)	1,782	1,961
Revenue from Government	546	-
Total other receivables	2,288	1,961
Total trade and other receivables (gross)	90,552	79,000
Less impairment loss allowance	-	(7)
Total trade and other receivables (net)	90,552	78,993

Credit terms for goods and services were within 30 days (2018: 30 days).

Accounting PolicyFinancial assets

Trade receivables, loans and other receivables that are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest that are not provided at below-market interest rates are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

Impairment Loss Allowance

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**

	Buildings - Leasehold Improvements	Plant and equipment	Computer software ¹	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2018				
Gross book value	45,844	22,837	27,340	96,021
Accumulated depreciation, amortisation and impairment	(7,788)	(8,392)	(16,923)	(33,103)
Total as at 1 July 2018	38,056	14,445	10,417	62,918
Additions				
Purchase	1,349	3,064	3,653	8,066
Internally developed	-	-	-	-
Finance lease	-	834	-	834
Recognition of make-good provision	2,127	-	-	2,127
Depreciation and amortisation	(7,719)	(3,490)	(2,673)	(13,882)
Disposals	-	-	-	-
Write down	(495)	(72)	-	(567)
Total as at 30 June 2019	33,318	14,781	11,397	59,496
Total as at 30 June 2019 represented by				
Gross book value	46,419	25,488	30,533	102,440
Accumulated depreciation and impairment	(13,101)	(10,707)	(19,136)	(42,944)
Total as at 30 June 2019	33,318	14,781	11,397	59,496

- The carrying amount of computer software includes \$1.66 million of purchased software and \$9.74 million of 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 \$0.13 million (2018: \$0.12 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.

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.

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:

	2019	2018
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 2019. 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 (2018: 5 years).

	2019 \$'000	2018 \$'000
Note 3.2B: Inventories		
Inventories held for distribution	<u>39</u>	<u>39</u>
Total inventories	<u>39</u>	<u>39</u>

During 2018-19, \$9,141 of inventory held for distribution was recognised as an expense (2018: \$14,513).

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.

3.3 Payables		
	2019	2018
	\$'000	\$'000
Note 3.3A: Suppliers		
Trade creditors and accruals	6,618	6,313
Operating lease rentals	1,293	1,409
Total suppliers	7,911	7,722

Settlement was usually made within 30 days.

Note 3.3B: Other Payables		
Salaries and wages	681	652
Superannuation	115	113
Separations and redundancies	651	622
Unearned income	83	83
Other	907	798
Total other payables	2,437	2,268

3.4 Interest Bearing Liabilities		
	2019	2018
	\$'000	\$'000
Note 3.4A: Leases		
Finance leases	2,574	2,506
Total leases	2,574	2,506
Minimum leases payments expected to be settled		
Within 1 year	640	776
Between 1 to 5 years	1,934	1,730
More than 5 years	-	-
Total leases	2,574	2,506

In 2019, five finance leases existed in relation to building and property, plant and equipment assets. The leases were non-cancellable and for fixed terms averaging 5 years, with a maximum of 8 years. The interest rate implicit in the leases averaged 2.17% (2018: 2.54%). 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

	2019	2018
	\$'000	\$'000
Note 3.5A: Other Provisions		
Provision for restoration obligations	4,065	2,371
Provision for unused office space	-	440
Total other provisions	4,065	2,811

	Provision for restoration	Provision for NSO unused office space	Total
	\$'000	\$'000	\$'000
As at 1 July 2018	2,371	440	2,811
New provision	2,127	-	2,127
Amounts reversed	(393)	(79)	(472)
Amounts used	(288)	(361)	(649)
Unwindings of discount or change in discount rate	248	-	248
Total as at 30 June 2019	4,065	-	4,065

The Federal Court of Australia currently has 14 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.

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

	2019	2018
	\$'000	\$'000
Note 4.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	142	136
Total cash and cash equivalents	142	136
Credit terms for goods and services receivable were in accordance with the Federal Courts Legislation Amendment (Fees) Regulation 2015 and the Family Law (Fees) Regulation 2012.		
Note 4.1B: Trade and Other Receivables		
Goods and services receivables	7,434	7,170
Total goods and services receivables	7,434	7,170
Other receivables		
Statutory receivable (GST)	7	6
Total other receivables	7	6
Total trade and other receivables (gross)	7,441	7,176
Less impairment loss allowance account:		
Goods and services	(5,191)	(2,577)
Total impairment loss allowance	(5,191)	(2,577)
Total trade and other receivables (net)	2,250	4,599

Accounting Policy

Trade and other receivables

Collectability of debts is reviewed at the end of the reporting period. The impairment loss allowance is calculated based on the Courts' historical rate of debt collection. Credit terms for services were within 30 days (2018: 30 days).

4.2 Administered – Payables

	2019	2018
	\$'000	\$'000
Note 4.2A: Suppliers		
Trade creditors and accruals	89	-
Total supplier payables	89	-
Note 4.2B: Other Payables		
Unearned income	610	513
Total other payables	610	513

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 2019

	Annual Appropriation ¹ S'000	Adjustments to Appropriation S'000	Total appropriation S'000	Appropriation applied in 2019 (current and prior years) S'000	Variance ² S'000
Departmental					
Ordinary annual services	264,806	4,706	269,512	262,108	7,404
Capital Budget	12,295	-	12,295	8,769	3,526
Total departmental	277,101	4,706	281,807	270,877	10,930
Administered					
Ordinary annual services					
Administered items	880		880	718	162
Payments to corporate Commonwealth entities					-
Other services					-
Administered assets and liabilities					-
Payments to corporate Commonwealth entities					-
Total administered	880	-	880	718	162

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 Court has received appropriation related to new Government measures. These measures have not yet been fully implemented. The Court has therefore not spent appropriation related to these measures, causing an underspend of annual appropriation.
3. Receipts collected under Section 74 of the *PGPA Act*.

	Annual Appropriation ¹ \$'000	Adjustments to Appropriation \$'000	Total appropriation \$'000	Appropriation applied in 2018 (current and prior years) \$'000	Variance ² \$'000
Departmental					
Ordinary annual services	252,620	3,708	256,328	254,333	1,995
Capital Budget	12,462	-	12,462	9,245	3,217
Total departmental	265,082	3,708	268,790	263,578	5,212
Administered					
Ordinary annual services Administered items	883	-	883	777	106
Total administered	883	-	883	777	106

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 expenditure being lower than anticipated, resulting in a small surplus for the year excluding depreciation. The underspend of capital appropriation is due to capital projects which were delayed and not completed prior to the end of the financial year.
3. Receipts collected under Section 74 of the *PGPA Act*.

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

	2019	2018
	\$'000	\$'000
Departmental		
Appropriation Act (No. 2) 2016-17 - Equity injection	-	150
Appropriation Act (No. 1) 2017-18	-	63,180
Appropriation Act (No. 1) 2017-18 - Capital budget	2,654	11,192
Appropriation Act (No. 3) 2017-18	-	2,030
Appropriation Act (No. 1) 2018-19	65,151	-
Appropriation Act (No. 1) 2018-19 - Capital budget	12,214	-
Appropriation Act (No. 3) 2018-19	7,579	-
Cash at bank	1,237	1,353
Total departmental	88,834	77,905
Administered		
Appropriation Act (No 1) 2018-2019	162	106
Total administered	162	106

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

	Appropriation applied	
	2019	2018
	\$'000	\$'000
Authority		
Public Governance, Performance and Accountability Act 2013, Section 77,		
Administered	923	553
Total	923	553

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

	Departmental		Administered			
	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	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	22	-	22,225	22,878	1,074	969
Increases	374	161	29,592	27,250	837	1,615
Total increases	374	161	29,592	27,250	837	1,615
Available for payments	396	161	51,817	50,128	1,911	2,584
Decreases						
Departmental	152	139	-	-	-	-
Total departmental	152	139	-	-	-	-
Decreases						
Administered	-	-	13,092	27,903	1,167	1,510
Total administered	-	-	13,092	27,903	1,167	1,510
Total decreases	152	139	13,092	27,903	1,167	1,510
Total balance carried to the next period	244	22	38,725	22,225	744	1,074
Balance represented by:						
Cash held in entity bank accounts	244	22	38,725	22,225	744	1,074
Cash held in the Official Public Account	-	-	-	-	-	-
Total balance carried to the next period	244	22	38,725	22,225	744	1,074

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.

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.

5.3 Net Cash Appropriation Arrangements		
	2019	2018
	\$'000	\$'000
Total comprehensive income less depreciation/amortisation expenses previously funded through revenue appropriations	4,651	2,549
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>(13,882)</u>	<u>(16,253)</u>
Total comprehensive loss - as per the Statement of Comprehensive Income	<u>(9,231)</u>	<u>(13,704)</u>

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

	2019	2018
	\$'000	\$'000
Note 6.1A: Employee Provisions		
Leave	29,541	27,119
Judges' leave	32,849	32,796
Total employee provisions	62,390	59,915

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 judicial 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 10 years service. 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 \$33.149 million (2018: \$27.111 million). The contribution rate has been provided by the Department of Finance following an actuarial review.

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 Justice of the Federal Court of Australia, the Chief Justice of the Family Court of Australia, the Chief Judge of the Federal Circuit Court of Australia, the Chief Executive Officers of the Federal Court of Australia, the Family Court of Australia and the Federal Circuit Court of Australia, the President and Registrar of the National Native Title Tribunal and the Executive Director of Corporate Services.

The 2017/18 financial statements also included 3 Executive Directors as Key Management Personnel. This assessment has been reassessed and confirmed that although these positions make operational decisions in their respective areas of responsibility, they do not satisfy the definition of a key management personnel in accordance with AASB 124 *Related Party Disclosures*. As a result the 2017/18 comparative key management personnel remuneration has been restated to exclude those 3 key management personnel and their remuneration expenses of \$711k, consisting of Short-term employee benefits \$558k, Post-employment benefits \$96k and Other long-term employee benefits \$57k.

	2019 \$'000	2018 \$'000
Short-term employee benefits	2,905	3,225
Post-employment benefits	1,300	1,283
Other long-term employee benefits	165	333
Termination benefits	-	-
Total key management personnel remuneration expenses	4,370	4,841

The total number of key management personnel that are included in the above table are 8 (2018: 12).

6.3 Related Party Disclosures

Related party relationships:

The entity is an Australian Government controlled entity within the Attorney-General’s portfolio. Related parties include key management personnel as well as 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.

The Courts have no transactions with related parties to disclose as at 30 June 2019 (2018: none).

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 2019 (2018: none).

Unquantifiable Contingencies

The Federal Court of Australia has no unquantifiable contingent assets or liabilities as at 30 June 2019 (2018: 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 2019 (2018: none).

7.2 Financial Instruments		
	2019	2018
	\$'000	\$'000
Note 7.2A: Categories of Financial Instruments		
Financial assets under AASB 139		
Loans and receivables		
Cash and cash equivalents		1,353
Trade and other receivables		481
Total loans and receivables		1,834
Financial assets under AASB 9		
Financial assets at amortised cost		
Cash and cash equivalents	1,237	
Trade and other receivables	627	
Total financial assets at amortised cost	1,864	
Total financial assets	1,864	1,834
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	7,911	7,722
Finance leases	2,574	2,506
Total financial liabilities	10,485	10,228

Accounting Policy

With the implementation of AASB 9 *Financial Instruments* for the first time in 2019, the entity classifies its financial assets in the following categories:

- a) financial assets at fair value through profit or loss;
- b) financial assets at fair value through other comprehensive income; and
- c) financial assets measured at amortised cost.

The classification depends on both the entity's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition.

Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Comparatives have not been restated on initial application.

Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

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.

Classification of financial assets on the date of initial application of AASB 9

Financial assets class	Notes	AASB 139 original classification	AASB 9 new classification	AASB 139 carrying amount at 1 July 2018 \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Cash and cash equivalents	3.1A	Loans and receivables	Amortised Cost	1,353	1,353
Trade and other receivables	3.1B	Loans and receivables	Amortised Cost	481	481
Total financial assets				1,834	1,834

Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9

Financial assets class	AASB 139 carrying amount at 1 July 2018 \$'000	Reclassification \$'000	Re-measurement \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Financial assets at amortised cost				
Loan and receivables				
Cash and cash equivalents	1,353	-	-	1,353
Trade and other receivables	481	-	-	481
Total amortised cost	1,834	-	-	1,834

	2019	2018
	\$'000	\$'000
Note 7.2B: Net Gains or Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
Interest expense	<u>65</u>	<u>78</u>
Net gains/(losses) on financial liabilities measured at amortised cost	<u>65</u>	<u>78</u>

7.3 Administered – Financial Instruments		
	2019	2018
	\$'000	\$'000
<u>Note 7.3A: Categories of Financial Instruments</u>		
Financial assets under AASB 139		
Loans and receivables		
Cash and cash equivalents		136
Other receivables		4,599
Total loans and receivables		4,735
Financial assets under AASB 9		
Financial assets at amortised cost		
Cash and cash equivalents	142	
Other receivables	2,250	
Total financial assets at amortised cost	2,392	
Total financial assets	2,392	4,735

Classification of financial assets on the date of initial application of AASB 9

Financial assets class	Notes	AASB 139 original classification	AASB 9 new classification	AASB 139 carrying amount at 1 July 2018 \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Cash and cash equivalents		Loans and receivable	At amortised cost	136	136
Other receivables		Loans and receivable	At amortised cost	4,599	2,745
Total financial assets				4,735	2,881

Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9

Financial assets class	AASB 139 carrying amount at 1 July 2018 \$'000	Reclassification \$'000	Re-measurement \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Cash and cash equivalents	136	-	-	136
Other receivables	4,599	-	(1,854)	2,745
Total amortised cost	4,735	-	(1,854)	2,881

7.4 Fair Value Measurement

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	
	2019	2018
	\$'000	\$'000
Non-financial assets		
Leasehold improvements	33,318	38,056
Plant and equipment	14,781	14,445

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.

8. Other Information

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

8.1 Aggregate Assets and Liabilities

	2019	2018
	\$'000	\$'000
Note 8.1A: Aggregate Assets and Liabilities		
Assets expected to be recovered In:		
No more than 12 months	93,579	82,954
More than 12 months	59,520	62,926
Total assets	153,099	145,880
Liabilities expected to be settled in:		
No more than 12 months	25,817	26,279
More than 12 months	53,560	48,943
Total liabilities	79,377	75,222

Note 8.1B: Administered Aggregate Assets and Liabilities

Assets expected to be recovered in:		
No more than 12 months	2,392	4,735
More than 12 months	-	-
Total assets	2,392	4,735
Liabilities expected to be settled in:		
No more than 12 months	699	513
More than 12 months	-	-
Total liabilities	699	513