

PART 5

APPENDICES

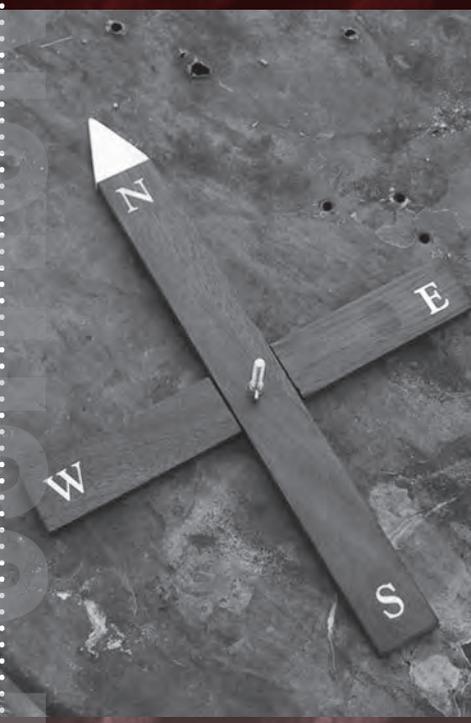
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FEDERAL COURT OF AUSTRALIA INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Attorney-General

Report on the Financial Statements

I have audited the accompanying financial statements of Federal Court of Australia for the year ended 30 June 2011, which comprise: a Statement by the Registrar and Chief Finance Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Asset Additions; Schedule of Contingencies; Schedule of Administered Items and Notes to and forming part of the Financial Statements including a Summary of Significant Accounting Policies.

Registrar's Responsibility for the Financial Statements

The Federal Court of Australia's Registrar is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as the Registrar determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Court's preparation of the financial statements that give a true and fair view 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 Court's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Registrar as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Opinion

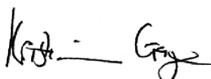
In my opinion, the financial statements of the Federal Court of Australia:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Federal Court of Australia's financial position as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

As described in note 20 to the financial statements, the Federal Court of Australia has recently become aware there is an increased risk of a breach of section 83 of the Constitution where payments are made from special accounts in circumstances where the payments do not accord with conditions included in the relevant legislation, and has advised that these circumstances will be investigated.

Australian National Audit Office



Kristian Gage
Engagement Executive

Delegate of the Auditor-General
Canberra

31 August 2011

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

FEDERAL COURT OF AUSTRALIA

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STATEMENT BY THE REGISTRAR AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2011 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed 

Warwick Soden
Registrar and Chief Executive Officer

31 August 2011

Signed 

Peter Bowen
Chief Finance Officer

31 August 2011

FEDERAL COURT OF AUSTRALIA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2011

	NOTES	2011 \$'000	2010 \$'000
EXPENSES			
Judge benefits	2A	27,420	26,791
Employee benefits	2A	31,410	32,015
Suppliers	2B	45,221	45,464
Depreciation and amortisation	2C	2,845	2,345
Finance costs	2D	18	13
Write-down and impairment of assets	2E	5,113	13
Loss on sale of assets	2F	3	–
Other payments to FMC	2G	387	735
Contribution to FMC	2H	2,561	6,869
Total Expenses		114,978	114,245
LESS			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	3A	2,532	2,659
Other revenue – FMC	3B	–	8,721
Total own-source revenue		2,532	11,380
Gains			
Sale of assets	2F	–	3
Other gains	3C	15,754	15,694
Total gains		15,754	15,697
Total own-source Income		18,286	27,077
Net cost of services		96,692	87,168
Revenue from Government	3D	88,325	88,410
Surplus (Deficit) attributable to the Australian Government		(8,367)	1,242
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		295	–
Total Comprehensive Income		295	–
Total Comprehensive Income (Loss) attributable to the Australian Government		(8,072)	1,242

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

FEDERAL COURT OF AUSTRALIA

BALANCE SHEET

AS AT 30 JUNE 2011

	NOTES	2011 \$'000	2010 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	4A	810	587
Trade and other receivables	4B	29,591	33,691
Total financial assets		30,401	34,278
NON-FINANCIAL ASSETS			
Land and buildings	5A	12,273	11,510
Infrastructure, plant and equipment	5B	5,845	9,326
Intangibles	5C	1,596	1,621
Other non-financial assets	5E	1,825	1,679
Total non-financial assets		21,539	24,136
Total Assets		51,940	58,414
LIABILITIES			
Payables			
Suppliers	6A	(940)	(5,994)
Other Payables	6B	(915)	(1,030)
Total payables		(1,855)	(7,024)
INTEREST BEARING LIABILITIES			
Leases	7	(735)	(83)
Total interest bearing liabilities		(735)	(83)
Provisions			
Judge and employee provisions	8	(15,805)	(16,296)
Total provisions		(15,805)	(16,296)
Total Liabilities		(18,395)	(23,403)
Net Assets		33,545	35,011
EQUITY			
Contributed equity		16,325	9,719
Reserves		1,584	1,289
Retained surplus		15,636	24,003
Total Equity		33,545	35,011

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

FEDERAL COURT OF AUSTRALIA

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2011

	RETAINED EARNINGS		ASSET REVALUATION RESERVES		CONTRIBUTED EQUITY/CAPITAL		TOTAL EQUITY	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Opening balance	24,003	23,808	1,289	1,289	9,719	9,719	35,011	34,816
Comprehensive Income								
Other Comprehensive Income	-	-	295	-	-	-	295	-
Surplus (Deficit) for period	(8,367)	1,242	-	-	-	-	(8,367)	1,242
Total comprehensive income	(8,367)	1,242	295	-	-	-	(8,072)	1,242
Transactions with owners								
Distribution to owners								
Return of prior years' unspent appropriation	-	(1,047)	-	-	-	-	-	(1,047)
Contributions by owners								
Equity Injection – Appropriations	-	-	-	-	360	-	360	-
Departmental Capital Budget	-	-	-	-	6,246	-	6,246	-
Sub-total transactions with owners	-	(1,047)	-	-	6,606	-	6,606	(1,047)
Closing balance as at 30 June	15,636	24,003	1,584	1,289	16,325	9,719	33,545	35,011
Closing balance attributable to the Australian Government								
Australian Government	15,636	24,003	1,584	1,289	16,325	9,719	33,545	35,011

FEDERAL COURT OF AUSTRALIA

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2011

	NOTES	2011 \$'000	2010 \$'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		1,812	6,590
Appropriations		96,035	87,292
Refunds credited		26	44
Net GST received		190	–
Total cash received		98,063	93,926
Cash used			
Judges and employees		(49,556)	(49,108)
Suppliers		(48,190)	(38,321)
Net GST paid		–	(223)
Borrowing costs		(18)	(13)
Total cash used		(97,764)	(87,666)
Net cash from / (used by) operating activities	9	299	6,261
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		19	20
Total cash received		19	20
Cash used			
Purchase of property, plant and equipment		(3,854)	(5,819)
Purchase of intangibles		(313)	(103)
Total cash used		(4,167)	(5,922)
Net cash / (used by) investing activities		(4,148)	(5,902)
FINANCING ACTIVITIES			
Cash received			
Appropriations – contributed equity		4,195	–
Total cash received		4,195	–
Cash used			
Other – Return of Appropriation		–	(1,047)
Payment of finance lease liabilities		(123)	(160)
Total cash used		(123)	(1,207)
Net cash / (used by) financing activities		4,072	(1,207)
Net increase (decrease) in cash held		223	(848)
Cash at the beginning of the reporting period		587	1,435
Cash at the end of the reporting period	4A	810	587

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

FEDERAL COURT OF AUSTRALIA

SCHEDULE OF COMMITMENTS

AS AT 30 JUNE 2011

	2011 \$'000	2010 \$'000
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments	17,116	14,214
Total commitments receivable	17,116	14,214
Commitments payable		
Capital commitments		
Infrastructure, plant and equipment ¹	(139)	(1,842)
Total capital commitments	(139)	(1,842)
Other commitments		
Operating leases ²	(187,323)	(154,474)
Other ³	(817)	(34)
Total other commitments	(188,140)	(154,508)
Net commitments by type	(171,163)	(142,136)
BY MATURITY		
Commitments receivable		
One year or less	1,686	1,487
From one to five years	6,536	5,336
Over five years	8,894	7,391
Total commitments receivable	17,116	14,214
Capital commitments		
One year or less	(139)	(1,842)
Total capital commitments	(139)	(1,842)
Operating lease commitments		
One year or less	(17,591)	(14,485)
From one to five years	(71,896)	(58,694)
Over five years	(97,836)	(81,295)
Total operating lease commitments	(187,323)	(154,474)
Other commitments		
One year or less	(817)	(34)
Total other commitments	(817)	(34)
Net Commitments by Maturity	(171,163)	(142,136)

NB: Commitments are GST inclusive where relevant.

¹ Plant and equipment commitments are primarily contracts for the purchase of furniture and fittings.

Nature of leases/General description

² Operating leases included are effectively non-cancellable and comprise:

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

FEDERAL COURT OF AUSTRALIA

SCHEDULE OF COMMITMENTS

AS AT 30 JUNE 2011

Leases for judicial and other accommodation

These commitments are mainly for rental of special purpose court buildings which are occupied by the Court's registries.

The court buildings are owned by the Commonwealth of Australia, except for the New South Wales court building, which is owned by Law Courts Limited, a joint venture between the NSW State and Commonwealth Governments. In the Northern Territory, space is leased from the Northern Territory Government.

Agreements for the provision of motor vehicles to judges and senior officers

The Court leases motor vehicles from Lease Plan under the terms of a contract that is operative until January 2012. These vehicles are leased under individual operating leases.

³ Other commitments – The Court has entered into commitments for the provision of information technology and library goods and services.

FEDERAL COURT OF AUSTRALIA

SCHEDULE OF CONTINGENCIES

AS AT 30 JUNE 2011

There were no contingent losses or gains as at 30 June 2011 (2010: nil).

FEDERAL COURT OF AUSTRALIA

SCHEDULE OF ASSET ADDITIONS

FOR THE PERIOD ENDED 30 JUNE 2011

The following non-financial non-current assets were added in 2010-11:

	BUILDINGS	OTHER PROPERTY, PLANT & EQUIPMENT	INTANGIBLES	TOTAL
Additions funded in the current year				
By purchase – appropriation other services				
Equity Injections	–	–	272	272
By purchase – appropriation ordinary annual services				
Departmental Capital Budget	3,135	719	41	3,895
Total additions funded in the current year	3,135	719	313	4,167

Additions recognised in 2010-11 to be funded in future years

By purchase – finance leases	–	775	–	775
Total future years / unfunded additions	–	775	–	775
Total additions	3,135	1,494	313	4,942

The following non-financial non-current assets were added in 2009-10:

	BUILDINGS	OTHER PROPERTY, PLANT & EQUIPMENT	INTANGIBLES	TOTAL
Additions funded in the current year				
By purchase – appropriation other services				
Equity Injections	2,154	–	–	2,154
By purchase – appropriation ordinary annual services				
Ordinary Operating Costs	–	–	272	272
Ordinary Operating Costs	2,465	1,221	224	3,910
Total additions funded in the current year	4,619	1,221	224	3,910
Total additions	4,619	1,221	224	6,064

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

FEDERAL COURT OF AUSTRALIA

SCHEDULE OF ADMINISTERED ITEMS

FOR THE PERIOD ENDED 30 JUNE 2011

	NOTES	2011 \$'000	2010 \$'000
Income administered on behalf of Government			
<i>for the period ended 30 June 2011</i>			
Revenue			
Non Taxation Revenue			
Fees (filing and hearing fees)	13	10,514	6,961
Fines	13	2,032	785
Other revenue	13	43	145
Total revenue administered on behalf of Government		12,589	7,891
Total income administered on behalf of Government		12,589	7,891
Expenses administered on behalf of Government			
<i>for the period ended 30 June 2011</i>			
Fees and fines – provision for doubtful debts	14	(98)	(22)
Total expenses administered on behalf of Government		(98)	(22)
Assets administered on behalf of Government			
<i>as at 30 June 2011</i>			
Financial assets			
Cash and cash equivalents	15A	23	40
Receivables	15B	803	369
Total assets administered on behalf of Government		826	409
Liabilities administered on behalf of Government			
<i>As at 30 June 2011</i>			
Payables			
Refunds of fees	16A	1	–
Total payables		1	–
Total liabilities administered on behalf of Government		1	–

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

FEDERAL COURT OF AUSTRALIA

SCHEDULE OF ADMINISTERED ITEMS

FOR THE PERIOD ENDED 30 JUNE 2011

Administered cash flows

for the period ended 30 June 2011

	NOTES	2011 \$'000	2010 \$'000
OPERATING ACTIVITIES			
Cash received			
Fees		10,304	7,011
Fines		2,059	857
Other		44	146
Total cash received		12,407	8,014
Cash used			
Refund of court fees and fines		(350)	(266)
Total cash used		(350)	(266)
Net cash flows from operating activities		12,057	7,748
Net Increase in cash held		12,057	7,748
Cash at the beginning of the reporting period		40	55
Cash from Official Public Account for:			
– Appropriations		350	265
		350	265
Cash to Official Public Account		(12,424)	(8,028)
		(12,424)	(8,028)
Cash at the end of the reporting period	17A	23	40

Administered commitments

as at 30 June 2011

There were no Administered commitments as at 30 June 2011. (2010: nil)

Administered contingencies

as at 30 June 2011

There were no Administered contingent losses or gains as at 30 June 2011. (2010: nil)

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 - Note 2: Operating Expenses
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 - Note 23: Comprehensive Income (Loss) attributable to the Court

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Court

The Federal Court of Australia is an Australian Government controlled entity. The objectives of the Court are to:

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

The Court is structured to meet one Outcome:

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

The Court's activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenue and expenses controlled or incurred by the Court in its own right. Administered activities involve the management or oversight by the Court, on behalf of the Government, of items controlled or incurred by the Government.

The Court conducts the following administered activity on behalf of the Government: The collection of fees and fines.

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

1.2 Basis of Preparation of the Financial Statements

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

The financial statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs), for reporting periods ending on or after 1 July 2010; and
- Australian Accounting Standards and Interpretations 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 is in accordance with the historical cost convention, except for certain assets 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.

Unless alternative treatment is specifically required by an Accounting Standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the Court and the amounts of assets or liabilities can be reliably

measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Statement of Comprehensive Income only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items.

1.3 Significant Accounting Judgements and Estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 Changes in Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. No new accounting standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board that are applicable in the current period have had a material financial effect on the Court.

Future Australian Accounting Standard requirements

New standards, amendments to standards, and interpretations that are applicable to future periods have been issued by the Australian Accounting Standards Board. It is estimated that adopting these pronouncements, when effective, will have no material impact on future reporting periods.

1.5 Revenue

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 Court.

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 with the transaction have flowed to the Court.

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 balance date. Allowances are made when collection of the debt is no longer probable.

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Revenue from Government

Amounts appropriated for departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when the Court gains control of the appropriation, except for certain amounts that relate to activities which are reciprocal in nature, in which case revenue has been recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

In the 2009-10 Budget, the Australian Government agreed to a restructure of the federal courts. This resulted in the reallocation of funding from the Federal Magistrates Court of Australia (FMC) to the Federal Court of Australia (FCA) and the Family Court of Australia (FCoA) from 1 January 2010.

The restructure has been delayed. The government is considering the implications of the High Court's decision in *Lane v Morrison* for the proposed restructure of the Federal Courts, and the formulation of proposals for an appropriate jurisdiction to determine military justice matters, including the involvement of Chapter III courts. As a result of the delay, part of the appropriation has been returned to the FMC with effect from 1 January 2011. Refer to note 1.17 for further details.

Funding that was transferred from the FMC to the FCA and the FCoA respectively was invoiced back by the FMC for the period 1 January 2010 to 31 December 2010. This arrangement was reflected in the FCA's budgeted financial statements for 2010-11, as reported in the PBS and as described in the 2009-10 PAES.

The invoicing arrangements are reflective of the integrated federal court system with overlapping jurisdiction and avenues for transfer between the various courts noting that the FMC was established to ease the workload of both the FCA and the FCoA by having the FMC hear matters of a less complex nature, which would otherwise have been heard in the 'senior' courts.

Revenue

1.6 Gains

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 these resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructure of administrative arrangements.

Resources received free of charge are recognised as either revenue or gains depending on their nature.

Sale of Assets

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

1.7 Transactions with the Government as Owner

Equity Injections

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

Other Distributions to owners

The FMO require that distributions to owners be debited to contributed equity unless in the nature of a dividend. In 2009-10, by agreement with the Department of Finance and Deregulation, the Court returned \$1,047,000 of unspent appropriation to the Department. This appropriation related to previous financial years.

1.8 Judge and Employee Benefits

Liabilities for ‘short-term employee benefits’ (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

Leave

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

The long service leave provision is based on the Court’s estimated liability at balance date. Court staff employed under the *Public Service Act* accrue 3 months long service leave after 10 years service, and proportionally thereafter. The estimate of the present liability takes into account attrition rates and pay increases through promotion and inflation. Judges accrue 6 months long leave after 5 years of service. In recognition of the nature of Judges’ tenure, a provision is accrued from the first year of service.

The leave liabilities are calculated on the basis of employees’ remuneration at the estimated salary rates that applied at the time the leave is taken. This includes the Court’s employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Superannuation

Staff of the Court are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). Some staff members elect to have contributions made to another superannuation fund of their choice.

The CSS and PSS are defined benefit schemes for the Commonwealth. 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 by the Department of Finance and Deregulation as an administered item.

The Court makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of the Court's employees. The Court accounts for the contributions as if they were contributions to defined contribution plans. For those staff members who have elected to have contributions made to a scheme of their choice, the Court makes payments of the amount required under Commonwealth legislation.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

Judges' Pension

Under the *Judges' Pension Act 1968*, Federal Court Judges are entitled to a non-contributory pension upon retirement after 6 years service. Where entitlements are not available under the *Judges Pension Act 1968*, entitlements are available under the *Superannuation (Productivity Benefit) Act 1988*. As the liability for these pension payments is assumed by the Australian Government, the Court has not recognised a liability for unfunded superannuation liability. The Court does, however, recognise an expense and a corresponding revenue 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 \$9,754,417 (2009-10: \$9,394,987). The contribution rate has been provided by the Australian Government Actuary.

1.9 Leases

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

1.10 Cash

Cash means notes and coins held and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.11 Financial Assets

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Court does not have any loans at the balance sheet date.

Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

- *Financial assets held at nominal cost* – If there is objective evidence that an impairment loss has been incurred for receivables, the carrying amount is reduced by way of an allowance account. The loss is recognised in the income statement.

1.12 Financial Liabilities

Supplier and other payables

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

1.13 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and 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.

1.14 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.15 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, 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.

Revaluations

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

ASSET CLASS	FAIR VALUE MEASURED AT:
Buildings	Market appraisal
Leasehold improvements	Depreciated replacement cost
Plant & Equipment	Market appraisal

Following initial recognition at cost, buildings, infrastructure, plant and equipment are carried at fair value less 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 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 valuation 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 Court using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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:

	2011	2010
Leasehold improvements	10 years or Lease term	10 years or Lease term
Plant and equipment – excluding library materials	3 to 25 years	3 to 10 years
Plant and equipment – library materials	5 to 40 years	5 to 40 years

Impairment

All assets are assessed for impairment at 30 June. Where indications of impairment exist, the asset's recoverable amount is estimated and an 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 Court 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 future economic benefits are expected from its use or disposal.

1.16 Intangibles

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

Software is amortised on a straight line basis over its anticipated useful life of 5 years (2009-10: 5 years).

All software assets were assessed for indications of impairment at 30 June 2011.

1.17 Taxation

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

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australia Taxation Office; and
- for receivables and payables.

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.18 Other expenses – payments to FMC

The Court made a contribution of \$2.561m (2010: \$6.869m) to the Federal Magistrates Court. The contribution reflects the funding that was reallocated from the FMC to the Court, from 1 January 2010, in accordance with the proposed Federal Courts restructure, as announced in the 2009-10 Federal Budget.

The restructure has been delayed and the funding provided to the Court was invoiced back by the Federal Magistrates Court until 31 December 2010. From that date, the appropriation has been reallocated to the FMC. \$2.561m was transferred to the Federal Magistrates Court for the period 1 January 2011 to 30 June 2011. Refer to Note 1.5 Revenue from Government.

For the period 1 July 2010 to 30 June 2011, the Court provided \$8.760m worth of resources free of charge to the Federal Magistrates Court.

1.19 Reporting of Administered Activities

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

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

Administered Cash Transfers to and from Official Public Account

Revenue collected by the Court for use by the Government rather than the Court is administered revenue. Collections are transferred to the Official Public Account maintained by the Department of Finance and Deregulation. 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 Court on behalf of the Government and reported as Administered Cash Flows in the Schedule of Administered Items and in the Administered Reconciliation Table in Note 17: Administered Reconciliation Table. Thus, the Schedule of Administered Items reflects the Government's transactions, through the Court, with parties outside the Government.

Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by the Court on behalf of the Australian Government.

Fees are charged for services provided by the Court to litigants under the Federal Court Regulations.

Revenue from fees is recognised at the time the services are performed. The services are performed at the same time as, or within two days of, the fees becoming due and payable. It is recognised at its nominal amount due less any provision for bad or doubtful debts. Debts are reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Revenue from fines is recognised in the period in which the invoice for the fine is raised.

Note 2: Expenses

	2011 \$'000	2010 \$'000
NOTE 2A: JUDGE AND EMPLOYEE BENEFITS		
Judge remuneration	17,665	17,396
Judge notional superannuation	9,755	9,395
	27,420	26,791
Employee wages & salaries	27,256	26,986
Employee superannuation	3,721	3,799
Employee separation and redundancies	433	1,230
	31,410	32,015
Total judge and employee benefits	58,830	58,806
NOTE 2B: SUPPLIERS		
Goods and Services		
Property operating costs	7,050	7,351
Library purchases	2,729	2,491
Information technology expenditure	2,951	3,123
Travel expenditure	3,076	2,715
Contractors and consultants	1,554	1,635
Other goods and services	3,003	3,107
Total goods and services	20,363	20,422
Goods and services are made up of:		
Provision of goods – external parties	1,965	1,913
Rendering of services – related entities	1,374	1,459
Rendering of services – external parties	17,024	17,050
Total goods and services	20,363	20,422
Other supplier expenses		
Operating lease rentals:		
Minimum Lease Payments	24,646	24,886
Workers compensation premiums	212	156
Total other supplier expenses	24,858	25,042
Total supplier expenses	45,221	45,464

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2011 \$'000	2010 \$'000
NOTE 2C: DEPRECIATION AND AMORTISATION		
Depreciation:		
Buildings	1,497	1,057
Property, plant and equipment ¹	900	1,002
Total depreciation	2,397	2,059
Amortisation:		
Intangibles:		
Computer Software	322	137
Leased plant and equipment	126	149
Total amortisation	448	286
Total depreciation and amortisation	2,845	2,345

¹ Depreciation expenses for finance leases were included in the line 'Leased plant and equipment' above. The Court has equipment under finance lease arrangements worth \$719,835 (2010: \$71,024).

NOTE 2D: FINANCE COSTS

Finance leases	18	13
Total finance costs	18	13

NOTE 2E: WRITE-DOWN AND IMPAIRMENT OF ASSETS

Non-financial assets		
Impairment of plant & equipment	5,113	13
Total write-down and impairment of assets	5,113	13

NOTE 2F: SALE OF ASSETS

Infrastructure, plant and equipment:		
Proceeds from sale	18	3
Carrying value of assets sold	21	-
Net gain(loss) from sale of assets	(3)	3

NOTE 2G: OTHER PAYMENTS TO FMC

Other	387	735
Total other payments to FMC	387	735

NOTE 2H: CONTRIBUTION TO FMC

Contribution to FMC	2,561	6,869
Total contribution to FMC	2,561	6,869

This contribution relates to appropriation that was given to the Federal Court of Australia on the assumption that the Federal Magistrates Court of Australia would cease operation as a prescribed agency from 1 January 2010. However, as this did not happen, the funding received by the Federal Court has been contributed back to the Federal Magistrates Court until 31 December 2010. From this date, the appropriation has been returned to the Federal Magistrates Court. See Note 1.5 Revenue from Government for further information.

Note 3: Income

OWN-SOURCE REVENUE

	2011 \$'000	2010 \$'000
NOTE 3A: SALE OF GOODS AND RENDERING OF SERVICES		
Rendering of services – related entities	1,216	1,934
Rendering of services – external entities	1,316	725
Total sale of goods and rendering of services	2,532	2,659
NOTE 3B: OTHER REVENUE – FMC		
Other FMC	–	8,721
Total other revenue – FMC	–	8,721
GAINS		
NOTE 3C: OTHER GAINS		
Liabilities assumed by other agencies	9,755	9,395
Resources received free of charge	5,999	6,299
	15,754	15,694
REVENUE FROM GOVERNMENT		
NOTE 3D: REVENUE FROM GOVERNMENT		
Appropriation:		
Departmental outputs	88,325	88,410
Total revenue from Government	88,325	88,410

Resources received free of charge includes an amount of \$5,547,582 (2009-10: \$5,547,582) in respect of rent and outgoings associated with the accommodation occupied by the Court in the Law Courts Building located in Sydney, New South Wales. This building is owned by Law Courts Limited, a joint venture between the NSW State and Commonwealth Governments.

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Financial Assets

	2011 \$'000	2010 \$'000
NOTE 4A: CASH AND CASH EQUIVALENTS		
Cash on hand or on deposit	810	587
Total cash and cash equivalents	810	587
	2,532	2,659

NOTE 4B: TRADE AND OTHER RECEIVABLES		
Goods and services – external parties	385	186
Appropriations receivable:		
for existing outputs – operating	26,160	28,736
for existing outputs – capital	2,411	
accrued appropriations	221	3,743
GST receivable from the Australian Taxation Office	414	1,026
Total trade and other receivables (gross)	29,591	33,691
Less impairment allowance account		
Goods and Services	–	–
Total trade and other receivables (net)	29,591	33,691

Receivables are aged as follows:

Not overdue		
Overdue by:	29,463	33,657
Less than 30 days	73	4
30 to 60 days	39	3
61 to 90 days	4	–
More than 90 days	12	27
	128	34
Total receivables (gross)	29,591	33,691

All receivables are current. Credit terms are net 30 days (2010: 30 days).

Reconciliation of the impairment allowance account:

Opening balance	–	–
Amounts written off	–	–
Increase/decrease recognised in net surplus	–	–
Closing balance	–	–

Note 5: Non-Financial Assets

	2011 \$'000	2010 \$'000
NOTE 5A: LAND AND BUILDINGS		
Leasehold improvements		
Fair value	12,594	14,937
Accumulated depreciation	(321)	(3,427)
Total leasehold improvements	12,273	11,510
Total land and buildings (non-current)	12,273	11,510

No indications of impairment were found for land and buildings

NOTE 5B: INFRASTRUCTURE, PLANT AND EQUIPMENT

Infrastructure, plant and equipment		
Fair value	6,801	13,956
Accumulated depreciation	(956)	(4,630)
Total infrastructure, plant and equipment	5,845	9,326
Total infrastructure, plant and equipment (non-current)	5,845	9,326

All revaluations are conducted in accordance with the valuation policy stated in Note 1. In 2010-11, formal valuations were conducted by an independent valuer, the Australian Valuation Office.

No indications of impairment were found for infrastructure, plant and equipment.

NOTE 5C: INTANGIBLE ASSETS

Computer software at cost		
Internally developed – in progress	442	170
Internally developed – in use	1,301	1,291
Purchased – in use	2,085	2,121
Total Computer Software	3,828	3,582
Accumulated amortisation	(2,232)	(1,961)
Total intangibles (non-current)	1,596	1,621

No indication of impairment was found for intangibles.

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 5D: ANALYSIS OF INFRASTRUCTURE, PROPERTY, PLANT, AND EQUIPMENT

TABLE A – Reconciliation of the opening and closing balances of property, plant, and equipment (2010-11)

ITEM	LEASEHOLD IMPROVEMENT – TOTAL LAND AND BUILDINGS \$'000	INFRASTRUCTURE, PLANT AND EQUIPMENT \$'000	COMPUTER SOFTWARE – INTANGIBLES \$'000	TOTAL \$'000
AS AT 1 JULY 2010				
Gross book value	14,937	13,956	3,582	32,475
Accumulated depreciation/amortisation	(3,427)	(4,630)	(1,961)	(10,018)
Net book value 1 July 2010	11,510	9,326	1,621	22,457
Additions*	3,135	1,494	312	4,941
Revaluations and impairment recognised in other comprehensive income.	312	(17)	–	295
Revaluation expense	–	(3,904)	–	(3,904)
Depreciation/amortisation expense	(1,497)	(1,027)	(321)	(2,845)
Disposals:				
Other disposals	(1,187)	(27)	(16)	(1,230)
Net book value 30 June 2011	12,273	5,845	1,596	19,714
Net book value as of 30 June 2011 represented by:				
Gross book value	12,594	6,801	3,828	23,223
Accumulated depreciation/amortisation	(321)	(956)	(2,232)	(3,509)
	12,273	5,845	1,596	19,714

*Disaggregated additions information is disclosed in the Schedule of Asset Additions.

TABLE A – Reconciliation of the opening and closing balances of property, plant, and equipment (2009-10)

ITEM	LEASEHOLD IMPROVEMENT – TOTAL LAND AND BUILDINGS \$'000	INFRASTRUCTURE, PLANT AND EQUIPMENT \$'000	COMPUTER SOFTWARE – INTANGIBLES \$'000	TOTAL \$'000
AS AT 1 JULY 2009				
Gross book value	10,449	12,837	3,358	26,644
Accumulated depreciation/amortisation	(2,501)	(3,568)	(1,824)	(7,893)
Net book value 1 July 2009	7,948	9,269	1,534	18,751
Additions*:	4,619	1,221	224	6,064
Depreciation/amortisation expense	(1,057)	(1,151)	(137)	(2,345)
Disposals:				
Other disposals	–	(13)	–	(13)
Net book value 30 June 2010	11,510	9,326	1,621	22,457
Net book value as of 30 June 2010 represented by:				
Gross book value	14,937	13,956	3,582	32,475
Accumulated depreciation/amortisation	(3,427)	(4,630)	(1,961)	(10,018)
	11,510	9,326	1,621	22,457

* Disaggregated additions information is disclosed in the Schedule of Asset Additions.

	2011 \$'000	2010 \$'000
NOTE 5E: OTHER NON-FINANCIAL ASSETS		
Prepayments	1,825	1,679
Total other non-financial assets	1,825	1,679
Total other non-financial assets that are expected to be recovered in:		
No more than 12 months	1,793	1,675
Total other non-financial assets	1,793	1,675
More than 12 months	32	4
Total other non-financial assets	32	4

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

Note 6: Payables

	2011 \$'000	2010 \$'000
NOTE 6A: SUPPLIERS		
Trade creditors and accruals	886	5,590
Deferred Revenue	54	404
Total supplier payables	940	5,994

All supplier payables are expected to be settled within 12 months

Settlement is usually made net 30 days.

NOTE 6B: OTHER PAYABLES

Salaries and wages	606	585
Superannuation	309	281
Separations and redundancies	–	164
Total other payables	915	1,030

All other payments are expected to be settled within 12 months.

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Interest Bearing Liabilities

	2011 \$'000	2010 \$'000
NOTE 7: LEASES		
Finance leases	735	83
Total finance leases	735	83
Payable:		
Within one year:		
Minimum lease payments	231	78
Deduct: future finance charges	(45)	(4)
In one to five years:		
Minimum lease payments	606	9
Deduct: future finance charges	(57)	–
Finance leases recognised on the balance sheet	735	83

Finance leases are for certain major IT equipment assets and some office equipment. The leases are non-cancellable and for fixed terms averaging three years, with a maximum of five years. The interest rate implicit in the leases averaged 5.14% (2010: 6.40%). The leased assets secure the lease liabilities. The Court guarantees the residual values of all assets leased. There are no contingent rentals.

Note 8: Provisions

	2011 \$'000	2010 \$'000
NOTE 8A: JUDGE & EMPLOYEE PROVISIONS		
Long Leave (Judges)	9,425	10,096
Leave	6,380	6,200
Total judge and employee provisions	15,805	16,296
Employee provisions are expected to be settled in:		
No more than 12 months	4,055	4,006
More than 12 months	11,750	12,290
Total judge and employee provisions	15,805	16,296

Note 9: Cash flow reconciliation

	2011 \$'000	2010 \$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Report cash and cash equivalents as per:		
Cash Flow Statement	810	587
Balance Sheet	810	587
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(96,692)	(87,168)
Add revenue from Government	88,325	88,410
Adjustments for non-cash items		
Depreciation/amortisation	2,845	2,345
Net write down of non-financial assets	5,113	13
(Gain)/Loss on disposal of assets	3	(3)
Changes in assets/liabilities		
(Increase)/decrease in net operating receivables	6,511	(1,334)
(Increase)/decrease in prepayments	(146)	(273)
Increase/(decrease) in suppliers payables	(5,054)	4,009
Increase/(decrease) in judge and employee provisions	(491)	421
Increase/(decrease) in other liabilities	(115)	(159)
Net cash from/(used by) operating activities	299	6,261

Note 10: Senior Executive Remuneration

	2011 \$'000	2010 \$'000
NOTE 10A: SENIOR EXECUTIVE REMUNERATION EXPENSE FOR THE REPORTING PERIOD		
Short-term employee benefits:		
Salary (including annual leave taken)	2,408,600	2,064,557
Annual Leave accrued	174,061	154,976
Motor Vehicle and other allowances	104,702	116,818
Total Short-term employee benefits	2,687,363	2,336,351
Long Term Benefits:		
Superannuation (post-employment benefits)	318,259	257,938
Long Service leave	56,010	49,868
Termination benefits	-	126,091
Total	3,061,632	2,770,248

FEDERAL COURT OF AUSTRALIA NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 10B: AVERAGE ANNUAL REMUNERATION PACKAGES AND BONUS PAID FOR SUBSTANTIVE SENIOR EXECUTIVES AS AT THE END OF THE REPORTING PERIOD

	AS AT 30 JUNE 2011 FIXED ELEMENTS			AS AT 30 JUNE 2010 FIXED ELEMENTS				
	NO OF SENIOR EXECUTIVES	SALARY \$	ALLOWANCES \$	TOTAL \$	NO OF SENIOR EXECUTIVES	SALARY \$	ALLOWANCES \$	TOTAL \$
Total remuneration (including part-time arrangements):								
\$180,000 to \$209,999	3	\$166,957	\$22,000	\$188,957	3	\$169,213	\$22,000	\$191,213
\$210,000 to \$239,999	4	\$207,297	\$22,000	\$229,297	5	\$211,355	\$22,000	\$233,355
\$240,000 to \$269,999	3	\$228,671	\$22,000	\$250,671	1	\$230,845	\$22,000	\$252,845
\$270,000 to \$299,999	-	-	-	-	1	\$225,890	\$58,573	\$284,463
\$300,000 to \$329,999	1	\$267,910	\$57,832	\$325,742	-	-	-	-
Total	11				10			

Notes:

- 1 This table reports substantive senior executives who were employed by the Court at the end of the reporting period. Fixed elements were based on the employment agreement of each individual. Each row represents an average annualised figure (based on headcount) for the individuals in that remuneration package band (ie the "Total" column.)
- 2 No bonuses were paid to senior executives of the Court in 2010-11 or 2009-10.

Variable elements

With the exception of bonuses, variable elements were not included in the 'Fixed elements and Bonus Paid' table above. The following variable elements were available as part of senior executives' remuneration package:

- (a) On average senior executives were entitled to the following leave entitlements:
 - Annual Leave (AL): entitled to 20 days (2010: 20 days) each full year worked (pro-rata for part-time SES);
 - Personal Leave (PL): entitled to 18 days (2010: 18 days) or part-time equivalent; and
 - Long Service Leave (LSL): in accordance with Long Service Leave (Commonwealth Employees) Act 1976.

- (b) Senior executives were members of one of the following superannuation funds:
- Commonwealth Superannuation Scheme (CSS): this scheme is closed to new members, and employer contributions were averaged 13.6 percent (2010 16.2 per cent) including productivity component. More information on CSS can be found at <http://www.css.gov.au>
 - Public Sector Superannuation Scheme (PSS): this scheme is closed to new members, and current employer contributions were set at 11.9 per cent (2010: 12.7 per cent) (including productivity component). More information on the PSS can be found at <http://www.pss.gov.au>
- (c) Various salary sacrifice arrangements were available to senior executives including super, motor vehicle and expense payment fringe benefits.

NOTE 10C: OTHER HIGHLY PAID STAFF

During the reporting period, there were no employees whose salary plus performance bonus were \$150,000 or more.

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Remuneration of Auditors

	2011 \$'000	2010 \$'000
Financial statement audit services are provided free of charge to the Court.		
The fair value of the services provided was:	108,000	105,000
No other services were provided by the Auditor-General.		

Note 12: Financial Instruments

	2011 \$'000	2010 \$'000
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NOTE 12A: CATEGORIES OF FINANCIAL INSTRUMENTS

Loans and receivables

Loans and receivables

Cash on hand or on deposit	810	587
Trade receivables	385	186
Carrying amount of financial assets	1,195	773

Financial liabilities

At amortised cost:

Finance leases	735	83
Trade creditors	940	5,994
Carrying amount of financial liabilities	1,675	6,077

NOTE 12B: FAIR VALUE OF FINANCIAL INSTRUMENTS

	CARRYING AMOUNT 2011 \$'000	FAIR VALUE 2011 \$'000	CARRYING AMOUNT 2010 \$000	FAIR VALUE 2010 \$'000
Other Liabilities				
Finance leases	735	735	83	83
Total	735	735	83	83

Fair value for Finance leases which was determined for disclosure purposes was calculated based on the present value of future principal and interest cash flows, discounted at 5.14% at the reporting date.

NOTE 12C: CREDIT RISK

The Court is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2011: \$385,394 and 2010: \$186,106). The Court has assessed the risk of default on payment and has allocated nil in 2011 (2010: nil) to an allowance for doubtful debts account.

The Court manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the Court has policies and procedures that are to be applied by employees who perform debt recovery duties.

The Court holds no collateral to mitigate credit risk.

Credit quality of financial instruments not past due or individually determined as impaired

	NOT PAST DUE NOR IMPAIRED 2011 \$'000	NOT PAST DUE NOR IMPAIRED 2010	PAST DUE OR IMPAIRED 2011 \$'000	PAST DUE OR IMPAIRED 2010
Loans and receivables				
Cash	810	587	-	-
Trade receivables	257	152	128	34
Total	1,067	739	128	34

Ageing of financial assets that are past due but not impaired for 2011

	0 TO 30 DAYS \$'000	31 TO 60 DAYS \$'000	61 TO 90 DAYS \$'000	90+ DAYS \$'000	TOTAL \$'000
Loans and receivables					
Trade receivables	73	39	4	12	128
Total	-	-	-	-	128

Ageing of financial assets that are past due but not impaired for 2010

	0 TO 30 DAYS \$'000	31 TO 60 DAYS \$'000	61 TO 90 DAYS \$'000	90+ DAYS \$'000	TOTAL \$'000
Loans and receivables					
Trade receivables	4	3	-	27	34
Total	4	3	-	27	34

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 12D: LIQUIDITY RISK

The Court's financial liabilities are payables, loans from government, finance leases and other interest bearing liabilities. The exposure to liquidity risk is based on the notion that the Court will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to the Court and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

Maturities for non-derivative financial liabilities 2011

	WITHIN 1 YEAR 2011 \$'000	1 TO 5 YEARS 2011 \$'000	TOTAL 2011 \$'000
Other liabilities			
Payables – Suppliers	940	–	940
Finance leases	186	549	735
Total	1,126	549	1,675

Maturities for non-derivative financial liabilities 2010

	WITHIN 1 YEAR 2010 \$'000	1 TO 5 YEARS 2010 \$'000	TOTAL 2010 \$'000
Other liabilities			
Payables – Suppliers	5,994	–	5,994
Finance leases	74	9	83
Total	6,068	9	6,077

The Court is appropriated funding from the Australian Government. The Court manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due.

This note also applies to the Court's administered financial instruments and is therefore not reproduced at Note 17.

NOTE 12E: MARKET RISK

The Court holds basic financial instruments that do not expose the Agency to certain market risks. The Court is not exposed to currency risk or other price risk.

Interest Rate Risk

The only interest-bearing item on the balance sheet is the 'Finance lease'. All bear interest at a fixed interest rate and will not fluctuate due to changes in the market interest rate.

Note 13: Income Administered on Behalf of Government

	2011 \$'000	2010 \$'000
Non-Taxation Revenue		
Fees (filing and hearing fees)	10,514	6,961
Fines	2,032	785
Other	43	145
Total revenue administered on behalf of government	12,589	7,891

Note 14: Expenses Administered on Behalf of Government

	2011 \$'000	2010 \$'000
Expenses		
Fees and fines – provision for doubtful debts	98	22
Total expenses administered on behalf of government	98	22

Note 15: Assets Administered on Behalf of Government

	2011 \$'000	2010 \$'000
Financial Assets		
NOTE 15A: CASH AND CASH EQUIVALENTS		
Cash on hand or on deposit	23	40
Total cash and cash equivalents	23	40

NOTE 15B: RECEIVABLES

Fees (filing and hearing fees)	901	391
Less: Impairment allowance account	(98)	(22)
Total receivables (net)	803	369

All receivables are expected to be recovered within 12 months.

Receivables are aged as follows:

Not overdue	247	111
Overdue by:		
– Less than 30 days	211	80
– 30 to 60 days	88	57
– 60 to 90 days	38	19
– More than 90 days	317	124
Total receivables (gross)	901	391

The total of the impairment allowance is aged over 90 days.

Receivables are with entities external to the Australian Government. Credit terms are net 30 days (2010: 30 days).

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the impairment allowance accounts:

	2011 \$'000	2010 \$'000
Opening balance	22	59
Increase/decrease recognised in net surplus	98	22
Amounts written off	(22)	(59)
Amounts recovered and reversed	-	-
Closing balance	98	22

Note 16: Liabilities administered on behalf of Government

	2011 \$'000	2010 \$'000
NOTE 16A: SUPPLIERS		
Refund of fees payable	1	-
Total suppliers	1	-

Note 17: Administered Reconciliation Table

	2011 \$'000	2010 \$'000
Opening administered assets less administered liabilities as at 1 July	409	303
Plus: Administered income	12,589	7,891
Less: Administered expenses	(98)	(22)
Administered transfers to/from the Australian Government		
Appropriation transfers from OPA	350	265
Transfers to OPA	(12,424)	(8,028)
Closing administered assets less administered liabilities as at 30 June	826	40

Note 18: Administered Financial Instruments

	2011 \$'000	2010 \$'000
NOTE 18A: CATEGORIES OF FINANCIAL INSTRUMENTS		
Financial Assets		
Loans and receivables		
Cash	23	40
Trade receivables	901	391
Carrying amount of financial assets	924	431

NOTE 18B: CREDIT RISK

The administered activities of the Court are not exposed to a high level of credit risk as the majority of financial assets are receivables. The Court has policies and procedures that guide employees who perform debt recovery functions.

The maximum exposure to credit risk is outlined in the table below.

	2011 \$'000	2010 \$'000
Financial Assets		
Loans and Receivables		
Receivables	901	391
Total	901	391

The Court has assessed the risk of default on payment and has allocated the following amounts to an allowance for doubtful debts account:

Receivables **\$98,310** in 2011 (2010: \$22,546)

Credit quality of financial instruments not past due or individually determined as impaired

	NOT PAST DUE NOR IMPAIRED 2011 \$'000	NOT PAST DUE NOR IMPAIRED 2010 \$'000	PAST DUE OR IMPAIRED 2011 \$'000	PAST DUE OR IMPAIRED 2010 \$'000
Loans and receivables				
Cash	23	40	–	
Trade receivables	247	111	654	280
Total	270	151	654	280

Ageing of financial assets that are past due but not impaired for 2011

	0 TO 30 DAYS \$'000	31 TO 60 DAYS \$'000	61 TO 90 DAYS \$'000	90+ DAYS \$'000	TOTAL \$'000
Loans and receivables					
Receivables	211	88	38	317	654
Total	211	88	38	317	654

Ageing of financial assets that are past due but not impaired for 2010

	0 TO 30 DAYS \$'000	31 TO 60 DAYS \$'000	61 TO 90 DAYS \$'000	90+ DAYS \$'000	TOTAL \$'000
Loans and receivables					
Receivables	80	57	19	102	258
Total	80	57	19	102	258

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Appropriations

Table A: Annual Appropriations ('Recoverable GST exclusive')

	2010-11 APPROPRIATIONS					APPROPRIATION APPLIED IN 2011 (CURRENT AND PRIOR YEARS) \$'000	VARIANCE \$'000
	APPROPRIATION ACT		FMA ACT		TOTAL APPROPRIATION \$'000		
	ANNUAL APPROPRIATION	APPROPRIATIONS REDUCED (A)	SECTION 30 \$'000	SECTION 31 \$'000			
DEPARTMENTAL							
Ordinary Annual Services	99,800	(1,707)	26	1,812	99,931	(101,782)	(1,851)
Other Services							
Equity	360	-	-	-	360	(272)	88
Total departmental	100,160	(1,707)	26	1,812	100,291	(102,054)	(1,763)

Notes:

(a) Appropriations reduced under Appropriation Act (No 1) 2010-11: section 10. Departmental appropriations do not lapse at year end. However, the responsible minister may decide that part or all of an appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2011 there was a reduction in departmental appropriation in accordance with a determination by the Finance Minister.

	2010-11 APPROPRIATIONS					APPROPRIATION APPLIED IN 2011 (CURRENT AND PRIOR YEARS) \$'000	VARIANCE \$'000
	APPROPRIATION ACT		FMA ACT		TOTAL APPROPRIATION \$'000		
	ANNUAL APPROPRIATION	APPROPRIATIONS REDUCED (A)	SECTION 30 \$'000	SECTION 31 \$'000			
DEPARTMENTAL							
Ordinary Annual Services	84,667	(1,047)	44	6,590	90,254	(91,371)	(1,117)
Other Services							
Equity	-	-	-	-	-	(2,154)	(2,154)
Total departmental	84,667	(1,047)	44	6,590	90,254	(93,525)	(3,271)

Notes:

(a) Appropriations reduced under Appropriation Act (No 1) 2006-07: section 9 (\$349,000), Appropriation Act (No 1) 2007-08: section 9 (\$350,000) and Appropriation Act (No 1) 2008-09: section 10 (\$348,000). Departmental appropriations do not lapse at year end. However, the responsible minister may decide that part or all of an appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2010 there was a reduction in departmental appropriation in accordance with a determination by the Finance Minister.

(b) The amount of appropriation applied against equity is from amounts appropriated to the Court in previous financial years.

Table B: Unspent Departmental Annual Appropriations ('Recoverable GST exclusive')

AUTHORITY	2011 \$'000	2010 \$'000
Appropriation Act (No 4) 2005-06	1	1
Appropriation Act (No 1) 2009-10	–	28,735
Appropriation Act (No 1) 2010-11	28,482	–
Appropriation Act (No 2) 2010-11	88	–
Total	28,571	28,736

Note 20: Special Accounts

The Federal Court has recently become aware that there is an increased risk of non-compliance with Section 83 of the Constitution where payments are made from special accounts in circumstances where the payments do not accord with conditions included in the relevant legislation.

The Court will investigate these circumstances and any impact on its special accounts shown below, seeking legal advice as appropriate.

OTHER TRUST MONEYS ACCOUNT	2011 \$'000	2010 \$'000
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Legal Authority: *Financial Management and Accountability Act, 1997, section 20*

Purpose: for expenditure of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth. This account is non-interest bearing.

Balance carried from previous period	19,433	69,706
Other receipts	646,073	492,749
Total credits	665,506	562,455
Payments made	646,690	543,022
Balance carried to next period	18,816	19,433
Represented by:		
Cash – held by the Court	18,816	19,433
Total	18,816	19,433

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2011	2010
	\$'000	\$'000

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

Purpose: for expenditure of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth. This account is non-interest bearing.

Balance carried from previous period	-	10,398
Other receipts	-	-
Total credits	-	10,398
Payments made	-	10,398
Balance carried to next period	-	-
Represented by:		
Cash – held by the Court	-	-
Total	-	-

	2011	2010
	\$'000	\$'000

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

Purpose: to hold private moneys for litigants pending acceptance of moneys paid into Court by litigants; security for costs or pursuant to an order of a Federal Court Judge. This account is non-interest bearing.

Balance carried from previous period	29,131,650	2,311,920
Other receipts	8,216,865	48,054,091
Total credits	37,348,515	50,366,011
Payments made	33,023,544	21,234,361
Balance carried to next period	4,324,971	29,131,650
Represented by:		
Cash – held by the Court	4,324,971	29,131,650
Total	4,324,971	29,131,650

	2011	2010
	\$'000	\$'000

Legal authority: *Financial Management and Accountability Act, 1997, section 39*

Purpose: to invest private moneys paid by litigants pursuant to an order of a Federal Court Judge, pending an order for payment out by a Federal Court Judge. This account is interest bearing.

Balance carried from previous period	31,261,736	54,958,400
Other receipts	35,567,914	26,029,624
Total credits	66,829,650	80,988,024
Payments made	41,222,644	49,726,288
Balance carried to next period	25,607,006	31,261,736
Represented by:		
Cash – held by the Court	25,607,006	31,261,736
Total	25,607,006	31,261,736

Note 21: Compensation and Debt Relief

	2011	2010
	\$'000	\$'000
No Act of Grace expenses were incurred during the reporting period under sub-section 33(1) of the <i>Financial Management and Accountability Act 1997</i> . (2009 No Act of Grace Expenses)	-	-
	2011	2010
	\$'000	\$'000

Administered

No Act of Grace expenses were incurred during the reporting period under sub-section 33(1) of the *Financial Management and Accountability Act 1997*. (2009: No Act of Grace Expenses)

- -

No payments were waived during the reporting period under subsection 34(1) of the *Financial Management and Accountability Act 1997*. (2010: No Waivers).

- -

1,306 exemptions and waivers of amounts owing to the Commonwealth were made pursuant to sub-regulations 2(4)(a-c), 2A(2)(e-g), 2AA(2)(f-h) of the *Federal Court of Australia Regulations 2004*. (2010: 2,302)

1,819,777 2,132,499

Departmental

No payments were made under the 'Defective Administration Scheme' during 2010-11 (2009-10 nil).

FEDERAL COURT OF AUSTRALIA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22: Reporting of Outcomes

NOTE 22A: NET COST OF OUTCOME DELIVERY

The Court has one Output and Outcome:

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

OUTCOME 1	OUTCOME 1	
	2011 \$'000	2010 \$'000
Expenses		
Administered	98	22
Departmental	114,978	114,245
Total	115,076	114,267
	33,023,544	21,234,361
Income from non-government sector	4,324,971	29,131,650
Administered	12,589	7,891
Departmental	1,316	725
Total	13,905	8,616
Other own-source income		
Administered	-	-
Departmental	1,216	10,655
Total	1,216	10,655
Net cost/(contribution) of outcome delivery	100,004	94,996

NOTE 22B: MAJOR CLASSES OF DEPARTMENTAL EXPENSES, INCOME, ASSETS AND LIABILITIES BY OUTCOME

OUTCOME 1	OUTCOME 1	
	2011 \$'000	2010 \$'000
Departmental expenses		
Judges and Employees	58,830	58,806
Suppliers	45,221	45,464
Depreciation and Amortisation	2,845	2,345
Finance costs	18	13
Other Expenses	5,116	13
FMC Transfer	2,948	7,604
Total	114,978	114,245
Departmental income		
Income from government	104,079	104,104
Sale of goods and services	2,532	11,383
Total	106,611	115,487

OUTCOME 1	OUTCOME 1	
	2011 \$'000	2010 \$'000
Departmental assets		
Cash and cash equivalents	810	587
Trade and other receivables	29,591	33,691
Property, plant and equipment	18,118	20,836
Intangibles	1,596	1,621
Other non-financial assets	1,825	1,679
Total	51,940	58,414
Departmental liabilities		
Suppliers	940	5,994
Leases	735	83
Judge and employee provisions	15,805	16,296
Other payables	915	1,030
Total	18,395	23,403

NOTE 22C: MAJOR CLASSES OF ADMINISTERED EXPENSES, INCOME, ASSETS AND LIABILITIES BY OUTCOME

OUTCOME 1	OUTCOME 1	
	2011 \$'000	2010 \$'000
Administered expenses		
Doubtful debts expense	98	22
Total	98	22
Administered income		
Non-taxation revenue	12,589	7,891
Total	12,589	7,891
Administered assets		
Cash and cash equivalents	23	40
Trade and other receivables	803	369
Total	826	409
Administered liabilities		
Refund of fees payable	1	–
Total	1	–

NOTE 23: COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO THE COURT

TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COURT	2011 \$'000	2010 \$'000
Total comprehensive income (loss)	(8,072)	1,242
Plus non-appropriated expenses		
Depreciation and amortisation expenses	2,845	–
Total comprehensive income (loss) attributable to the Court	(5,227)	1,242