

FAMILY COURT OF AUSTRALIA

Section 1: Agency overview and resources; variations and measures

OVERVIEW

There are no changes to the Family Court of Australia's (Family Court) role, mission or its outcomes and output structures as a result of Additional Estimates.

Table 1.1: Agency outcomes and output groups

FAMILY COURT OF AUSTRALIA	
Chief Executive Officer: Mr Richard Foster PSM	
Total Price of Outputs	\$139.115m
Departmental Outcome Appropriation	\$129.474m
Outcome 1: Serving the Interests of the Australian community by ensuring families and children in need can access effective high quality services	
Total Price	\$139.115m
Departmental Outputs Appropriation	\$129.474m
Output 1.1: Resolution	
Total Price	\$23.917m
Appropriation	\$23.917m
Output 1.1.1: Mediated Agreements	
Total Price	\$20.530m
Appropriation	\$20.530m
Output 1.1.2: Consent Orders	
Total Price	\$3.387m
Appropriation	\$3.387m
Output 1.2: Determination	
Total Price	\$115.198m
Appropriation	\$105.557m
Output 1.2.1: Divorces	
Total Price	\$10.920m
Appropriation	\$10.920m
Output 1.2.2: Interim Orders	
Total Price	\$22.404m
Appropriation	\$21.247m
Output 1.2.3: Final Orders	
Total Price	\$75.731m
Appropriation	\$68.596m
Output 1.2.4: Appeals	
Total Price	\$6.143m
Appropriation	\$4.794m

ADDITIONAL ESTIMATES AND VARIATIONS TO OUTCOMES

Additional funding of \$3.208m has been provided over four years to meet the increases in judicial and related remuneration increases determined by the Remuneration Tribunal for the 2006-07 year. The Additional Estimates also include a reduction in wage cost indexation of \$0.329m and judicial funding transfer to the Federal Magistrates Court of \$4.749m over four years.

Table 1.2: Additional estimates and variations to outcomes — measures

	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000
Outcome 1				
Variation in Departmental appropriations				
Providing additional magistrates	(674)	(1,344)	(1,358)	(1,373)
Total changes in Departmental appropriations	(674)	(1,344)	(1,358)	(1,373)

Table 1.3: Additional estimates and variations to outcomes — other variations

	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000
Outcome 1				
Variation in Departmental appropriation				
Wage Cost Index Adjustments	(326)	109	-	(112)
Supplementation for judicial and related offices salary increases (Remuneration Tribunal Determination 2006/10)	1,105	708	701	694
Total changes in Departmental appropriations	779	817	701	582

Table 1.4: Summary of measures since the 2006-07 Budget

Measure	Outcome	Output Groups Affected	Appropriations 2006-07 \$'000			Appropriations 2007-08 \$'000			Appropriations 2008-09 \$'000			Appropriations 2009-10 \$'000		
			Admin Items	Dept Outputs	Total	Admin Items	Dept Outputs	Total	Admin Items	Dept Outputs	Total	Admin Items	Dept Outputs	Total
EXPENSE MEASURES														
Providing additional magistrates	1	1.1, 1.2	-	(674)	(674)	-	(1,344)	(1,344)	-	(1,358)	(1,358)	-	(1,373)	(1,373)
Total Expense Measures			-	(674)	(674)	-	(1,344)	(1,344)	-	(1,358)	(1,358)	-	(1,373)	(1,373)
Total All Measures			-	(674)	(674)	-	(1,344)	(1,344)	-	(1,358)	(1,358)	-	(1,373)	(1,373)

BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

Table 1.5: Appropriation Bill (No. 3) 2006-07

	2005-06 Available \$'000	2006-07 Budget \$'000	2006-07 Revised \$'000	Additional Estimates \$'000	Reduced Estimates \$'000
DEPARTMENTAL OUTPUTS					
Outcome 1					
Serving the interests of the Australian Community by ensuring families and children in need can access effective high quality services	129,137	129,369	129,474	105	-
Total Family Court of Australia	129,137	129,369	129,474	105	-

OTHER RECEIPTS AVAILABLE TO BE USED

Table 1.9 provides details of other receipts available to be used and include FMA s.31 receipts, special accounts (non-appropriation receipts) and resources received free of charge.

Table 1.9: Other receipts available to be used

Outcome	Budget Estimate 2006-07 \$'000	Revised Estimate 2006-07 \$'000
Departmental other receipts		
Sales of Goods and Services – FMA Act s.31 ¹	2,000	2,000
Interest – FMA Act s.31	750	-
Resources received free of charge ²	70	90
Liabilities assumed by the Attorney-General's Department ³	7,226	7,551
Total Departmental other receipts available to be used	10,046	9,641

Notes:

1. Sale of goods and services revenue includes photocopying charges, copies of decrees and other minor revenue.
2. Resources received free of charge are for services provided by the Australian National Audit Office in conducting the annual financial statements audit.
3. Liabilities assumed by the Attorney-General's Department relate to the *Judges' Pensions Act 1968*.

ESTIMATES OF SPECIAL ACCOUNT FLOWS

Table 1.11: Estimates of special account flows

	Outcome No.	Opening Balance		Receipts		Payments		Adjustments ²		Closing Balance	
		2006-07 ¹	2005-06 ¹	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Money – FMA Act s.20 (D)	1	-	-	250	-	250	-	-	-	-	-
Other Trust Money – FMA Act s.20 (D)	1	-	-	-	-	-	-	-	-	-	-
Other Trust Money – FMA Act s.20 (A) ^{1,2}	1	1	1	250	250	250	250	-	-	-	1
Other Trust Money – FMA Act s.20 (A)	1	-	-	35	34	34	35	-	-	-	1
Family Court of Australia Litigants Fund Special Account – FMA Act s20 (A) ³	1	501	501	400	400	400	400	-	-	-	501
Family Court of Australia Litigants Fund Special Account – FMA Act s.20 (A)	1	178	178	450	127	127	450	-	-	-	501
Total special accounts		502	502	900	900	900	900	-	-	-	502

D = Departmental A= Administered

Acts Glossary: FMA Act = *Financial Management and Accountability Act 1997*

1. The revised Opening Balance for 2006-07 is the same as the final closing balance for 2005-06. This balance has changed from that shown in the 2006-07 PBS as the actual for 2005-06 has been updated to reflect the final budget outcome for that year.
2. *The Comcare Account Safety Rehabilitation and Compensation Act 1988* (D) special account reported in the 2006-07 PBS has been subsequently closed with the funds now held in the Other Trust Money special account (A).
3. The Family Court's Litigants Fund Special Account was incorrectly reported as Other Trust Money special account (A) in the 2006-07 PBS.

Section 2: Revisions to agency outcomes

OUTCOMES, ADMINISTERED ITEMS AND OUTPUTS

Table 1.1 'Agency outcomes and output groups' lists the outcome statements and output groups for the Family Court.

There are no changes to the outcome and output structures as a result of Additional Estimates.

Apart from price per output in Table 1.1, there are no change to performance information.

Section 3: Budgeted financial statements

BUDGETED FINANCIAL STATEMENTS

Departmental financial statements

Budgeted departmental income statement

Revenue has decreased by a net \$0.300m. This is attributable to increased appropriations of \$0.105m comprising the Judges payrise of \$1.105m offset by reductions due to changes in wage cost indexation (\$0.326m), a judicial funding transfer (\$0.674m), and lower than forecast receipts from independent sources (\$0.405m). The reduction in revenue is offset by a corresponding reduction in expenditure, therefore there is no impact on the Family Court's overall operating result.

Budgeted departmental balance sheet

The overall net change of \$2.299m from Budget reflects the impact of the 2005-06 operating result and balance sheet movements. This is made up of a reduction of \$3.834m in assets, primarily due to a decrease of \$7.688m in non-financial assets as the result of a reduction in prepayments offset by a increase of \$3.854m in financial assets in the form of appropriations receivable. There has also been a reduction of \$1.535m in liabilities arising from a reduction in general supplier payables and prepayments received (\$0.729m), and a decrease in provisions from a discounting of leave and make-good provision (\$0.806m).

Budgeted departmental statement of cash flows

The overall increase of \$0.099m from Budget reflects the impact of the 30 June 2006 actual cash balance.

Departmental statement of changes in equity — summary of movement

The overall reduction of (\$2.299m) from Budget reflects the flow through impact of the 30 June 2006 actual accumulated results and balance sheet movements, being a (\$2.287m) reduction in accumulated results and a reduction in the asset revaluation reserve of (\$0.012m).

Departmental property, plant, equipment and intangibles — summary of movement

The overall increase from Budget of \$1.030m in the opening asset balances reflects the impact of the 30 June 2006 actuals.

Schedule of administered activity

Schedule of budgeted assets and liabilities administered on behalf of Government

The overall reduction of \$0.021m from Budget reflects the impact of the 30 June 2006 actual cash balance.

Table 3.1: Budgeted departmental income statement for the period ended 30 June

	Actual 2005-06 \$'000	Revised Budget 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
INCOME					
Revenue					
Revenues from Government	129,126	129,474	129,423	130,378	131,391
Goods and services	553	2,000	2,000	2,000	2,000
Interest	917	-	-	-	-
Other	10,880	7,641	7,641	7,641	7,641
Total revenue	141,476	139,115	139,064	140,019	141,032
Total income	141,476	139,115	139,064	140,019	141,032
EXPENSE					
Employees	75,558	74,441	74,478	75,520	76,027
Suppliers	56,198	55,635	55,591	55,549	56,063
Depreciation and amortisation	7,916	9,039	8,995	8,950	8,942
Write-down of assets and impairment of assets	1,363	-	-	-	-
Net losses from sale of assets	747	-	-	-	-
Other	984	-	-	-	-
Total expenses	142,766	139,115	139,064	140,019	141,032
Operating result from continuing operations	(1,290)	-	-	-	-
Net surplus or (deficit) attributable to the Australian Government	(1,290)	-	-	-	-

Table 3.2: Budgeted departmental balance sheet as at 30 June

	Actual 2005-06 \$'000	Revised Budget 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	3,859	3,859	3,859	3,859	3,859
Receivables	20,945	22,784	24,579	26,329	28,071
Other financial assets	427	427	427	427	427
Total financial assets	25,231	27,070	28,865	30,615	32,357
Non-financial assets					
Land and buildings	10,435	11,276	10,644	10,057	9,478
Infrastructure, plant and equipment	7,237	6,977	6,564	6,151	5,738
Inventories	159	159	159	159	159
Intangibles	3,284	2,334	2,884	3,434	3,984
Other	3,293	3,293	3,293	3,293	3,293
Total non-financial assets	24,408	24,039	23,544	23,094	22,652
Total assets	49,639	51,109	52,409	53,709	55,009
LIABILITIES					
Payables					
Suppliers	5,644	5,644	5,644	5,644	5,644
Other payables	887	887	887	887	887
Total payables	6,531	6,531	6,531	6,531	6,531
Provisions					
Employees	21,739	23,039	24,339	25,639	26,939
Other provisions	2,315	2,315	2,315	2,315	2,315
Total provisions	24,054	25,354	26,654	27,954	29,254
Total liabilities	30,585	31,885	33,185	34,485	35,785
EQUITY					
Parent entity interest					
Contributed equity	4,456	4,626	4,626	4,626	4,626
Reserves	4,751	4,751	4,751	4,751	4,751
Retained surpluses or accumulated deficits	9,847	9,847	9,847	9,847	9,847
Total parent entity interest	19,054	19,224	19,224	19,224	19,224
Total equity	19,054	19,224	19,224	19,224	19,224
Current assets	25,390	27,229	29,024	30,774	32,516
Non-current assets	24,249	23,880	23,385	22,935	22,493
Current liabilities	7,618	7,683	7,748	7,813	7,878
Non-current liabilities	22,967	24,202	25,437	26,672	27,907

Table 3.3: Budgeted departmental statement of cash flows for the period ended 30 June

	Actual 2005-06 \$'000	Revised Budget 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	4,028	2,000	2,000	2,000	2,000
Appropriations	122,568	127,635	127,628	128,628	129,649
Interest	917	-	-	-	-
Other cash received	5,081	4,376	4,396	4,396	4,867
Total cash received	132,594	134,011	134,024	135,024	136,516
Cash used					
Employees	67,559	65,590	65,627	66,669	67,176
Suppliers	55,098	55,545	55,501	55,459	55,973
Other cash used	-	4,376	4,396	4,396	4,867
Total cash used	122,657	125,511	125,524	126,524	128,016
Net cash from or (used by) operating activities	9,937	8,500	8,500	8,500	8,500
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment	39	-	-	-	-
Total cash received	39	-	-	-	-
Cash used					
Purchase of property, plant and equipment	8,977	8,670	8,500	8,500	8,500
Purchase of Intangibles	901	-	-	-	-
Total cash used	9,878	8,670	8,500	8,500	8,500
Net cash from or (used by) investing activities	(9,839)	(8,670)	(8,500)	(8,500)	(8,500)
FINANCING ACTIVITIES					
Cash received					
Appropriations – contributed equity	-	170	-	-	-
Total cash received	-	170	-	-	-
Cash used					
Total cash used	-	-	-	-	-
Net increase or (decrease) in cash held	98	-	-	-	-
Cash at the beginning of the reporting period	3,762	3,859	3,859	3,859	3,859
Cash at the end of the reporting period	3,859	3,859	3,859	3,859	3,859

Table 3.4: Departmental statement of changes in equity — summary of movement Budget year 2006-07

	Accumulated Results \$'000	Asset Revaluation Reserve \$'000	Contributed Equity/ Capital \$'000	Total Equity \$'000
Opening balance as at 1 July 2006	9,847	4,751	4,456	19,054
Adjusted opening balance	9,847	4,751	4,456	19,054
Transactions with owners				
Appropriation (equity injection)	-	-	170	-
Sub-total transactions with owners	-	-	170	-
Transfers between equity components	-	-	-	-
Closing balance less minority interests	-	-	-	-
Estimated closing balance as at 30 June 2007	9,847	4,751	4,626	19,224

Table 3.5: Departmental capital budget statement

	Actual 2005-06 \$'000	Revised Budget 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
CAPITAL APPROPRIATIONS					
Total equity injections	-	170	-	-	-
Total capital appropriations	-	170	-	-	-
Represented by:					
Purchase of non-financial assets	-	170	-	-	-
Total represented by	-	170	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation	-	170	-	-	-
Funded internally by departmental resources	9,878	8,500	8,500	8,500	8,500
Total	9,878	8,670	8,500	8,500	8,500

Table 3.6: Departmental property, plant, equipment and intangibles — summary of movement Budget year 2006-07

	Buildings	Other Infrastructure Plant and Equipment	Computer Software	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2006				
Gross book value	11,669	7,262	14,205	33,136
Accumulated depreciation	(1,235)	(25)	(10,920)	(12,180)
Opening net book value	10,434	7,237	3,285	20,956
Additions:				
by purchase	3,500	3,170	2,000	8,670
Depreciation/amortisation expense	(2,659)	(3,430)	(2,950)	(9,039)
As at 30 June 2007				
Gross book value	15,169	10,432	16,205	41,806
Accumulated depreciation	(3,894)	(3,455)	(13,870)	(21,219)
Estimated closing net book value	11,276	6,977	2,334	20,587

Table 3.7: Schedule of budgeted income and expenses administered on behalf of Government for the period ended 30 June

	Actual 2005-06 \$'000	Revised Budget 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
INCOME ADMINISTERED ON BEHALF OF THE GOVERNMENT					
Revenue					
Non-taxation					
Other sources of non-taxation revenues	2,346	2,500	2,500	2,500	2,500
Total non-taxation	2,346	2,500	2,500	2,500	2,500
Total revenues administered on behalf of the Government	2,346	2,500	2,500	2,500	2,500
EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT					
Other	21	-	-	-	-
Total expenses administered on behalf of the Government	21	-	-	-	-

Table 3.8: Schedule of budgeted assets and liabilities administered on behalf of Government as at 30 June

	Actual 2005-06 \$'000	Revised Budget 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
ASSETS ADMINISTERED ON BEHALF OF THE GOVERNMENT					
Financial assets					
Cash and cash equivalents	35	35	35	35	35
Total financial assets	35	35	35	35	35
Total assets administered on behalf of the Government	35	35	35	35	35
LIABILITIES ADMINISTERED ON BEHALF OF THE GOVERNMENT					
Payables					
Suppliers	1	1	1	1	1
Total payables	1	1	1	1	1
Total liabilities administered on behalf of Government	1	1	1	1	1

Table 3.9: Schedule of budgeted administered cash flows for the period ended 30 June

	Actual 2005-06 \$'000	Revised Budget 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000	Forward Estimate 2009-10 \$'000
OPERATING ACTIVITIES					
Cash received					
Other taxes, fees and fines	2,346	2,500	2,500	2,500	2,500
Other	28	-	-	-	-
Total cash received	2,374	2,500	2,500	2,500	2,500
Cash used					
Other	21	-	-	-	-
Total cash used	21	-	-	-	-
Net cash from operating activities	2,353	2,500	2,500	2,500	2,500
INVESTING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Total cash used	-	-	-	-	-
Net cash from investing activities	-	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Total cash received	-	-	-	-	-
Cash used					
Cash to Official Public Account	2,371	2,500	2,500	2,500	2,500
Total cash used	2,371	2,500	2,500	2,500	2,500
Net cash from financing activities	(2,371)	(2,500)	(2,500)	(2,500)	(2,500)
Net increase or (decrease) in cash held	(18)	-	-	-	-
Cash at beginning of reporting period	53	35	35	35	35
Cash at end of reporting period	35	35	35	35	35

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The statements have been prepared in accordance with:

- Finance Minister's Orders
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board, and
- Interpretations issued by AASB and UIG that apply for reporting period.

The Income Statement and Balance Sheet have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets, which, as noted, are at fair value or amortised cost. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Australian Accounting Standard.

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

Revenues from Government

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

Appropriations receivable are recognised at their nominal amounts.

Since 1999-2000 the Family Court has had Finance Minister approval for full supplementation of Remuneration Tribunal Determination increases related to Judicial remuneration. The Family Court recognises the corresponding expenses, and associated appropriation revenues, in the period in which the Remuneration Tribunal Determination is made. Where the period of the Determination differs from the period of the appropriation, the Family Court recognises an appropriation receivable consistent with the FMO's.

Other revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer,
- The seller retains no managerial involvement nor effective control over the goods,

- The revenue and transaction costs incurred can be reliably measured, and
- It is probable that the economic benefits will flow to the entity.

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

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured, and
- The probable economic benefits will flow to the entity.

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

Receivables for goods and services are recognised at the nominal amounts due, less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139.

Gains

Resources received free of charge

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

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

Other gains

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

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

Employee expenses

Employee expenses consist of wages and salaries, superannuation, leave and other entitlements, separations and redundancies and other employee benefits.

Employee benefits

As required by the Finance Minister's Orders, the Family Court has adopted AASB 119 Employee Benefits as issued in December 2004.

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

Liabilities for short term employee benefits (as defined in AASB 119) and termination benefits due within 12 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 employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

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

The leave liabilities are calculated on the basis of employees' remuneration, including the Court 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 long service leave has been determined by reference to the work of an actuary as at 30 June 2004. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

Staff of the Family Court are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the Public Sector Superannuation Accumulation Plan (PSSap).

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.

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

Supplier expenses

Supplier expenses consist of administrative expenses including operating lease rentals and supply of goods and services to the Family Court.

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 rewards incidental to ownership of leased non current assets. An operating lease is a lease which 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 leased 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.

Services provided free of charge to the FMC

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

- Court staff perform work on behalf of the FMC, and
- Accommodation, including access to courtrooms.

It is estimated that the cost of resources provided free of charge by the Family Court to the FMC during 2006-07 will be \$15.15m. It is expected that similar levels of support will be provided by the Family Court to the FMC in all other financial years shown in these budgeted financial statements.

Other financial instruments

Trade creditors

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

Cash

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

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 actually 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, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

Property, plant and equipment

Asset Recognition Threshold

Purchases of land and buildings, infrastructure, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial costs of assets 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 'makegood' provisions in property leases taken up by the Family Court where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Family Court's leasehold improvements with a corresponding provision for the 'makegood' taken up.

Revaluations

Land and buildings, infrastructure, plant and equipment are carried at valuation, being revalued with sufficient frequency such that the carrying amount of each asset class is not materially different, at reporting date, from its fair value.

Depreciation

Depreciable land and buildings, infrastructure, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Family Court using, in all cases, the straight line method of depreciation. Land and buildings – leasehold improvements are amortised on a straight line basis 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.

Impairment

All assets were assessed for impairment at 30 June 2006. Where indications of impairment exist, the asset recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than the 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 value 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 Family Court were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

No indicators of impairment were found for assets at fair value.

Intangibles

The Family Court's intangibles comprise internally developed software for internal use and externally developed purchased software.

Computer software is amortised on a straight line basis over its anticipated useful life.

All computer software assets were assessed for indications of impairment as at 30 June 2006. No software assets were identified as impaired.

Inventories

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

Inventories held for distribution are measured at the lower of cost and current replacement cost.

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