

PART SEVEN: FINANCIAL STATEMENTS



INDEPENDENT AUDIT REPORT

To the Attorney-General

Scope

I have audited the financial statements of the Federal Magistrates Service for the year ended 30 June 2003. The financial statements comprise:

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

The Federal Magistrates Service's Chief Executive Officer is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the Federal Magistrates Service's financial position, its financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Federal Magistrates Service as at 30 June 2003, and its financial performance and cash flows for the year then ended.

Australian National Audit Office



P Hinchey
Senior Director

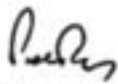
Delegate of the Auditor-General

Sydney
7 October 2003



STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2003 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*.



Peter May
Chief Executive Officer

15 September 2003



Brian Scammell
Chief Finance Officer

15 September 2003

FEDERAL MAGISTRATES SERVICE
STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
Revenues from ordinary activities			
Revenues from Government	2A	24,566	21,229
Sales of goods and services	2B	28	161
Interest	2C	-	170
Revenues from ordinary activities		24,594	21,560
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	3A	7,892	7,120
Suppliers	3B	17,699	13,827
Depreciation and amortisation	3C	262	238
Write-down of assets	3D	2	13
Expenses from ordinary activities		25,855	21,198
Net surplus / (deficit)		(1,261)	362
Decrease in accumulated results on initial application of fair value under accounting standard AASB 1041 <i>Revaluation of Non-current Assets</i>			
	8	(75)	-
Total revenues, expenses and valuation adjustments attributable to the Commonwealth Government and recognised directly in equity		(75)	-
Total changes in equity other than those resulting from transactions with owners as owners		(1,336)	362

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

**FEDERAL MAGISTRATES SERVICE
STATEMENT OF FINANCIAL POSITION**

as at 30 June 2003

	Notes	2003 \$'000	2002 \$'000
ASSETS			
Financial assets			
Cash	4A	623	3,658
Receivables	4B	2,849	5,688
Total financial assets		<u>3,472</u>	<u>9,346</u>
Non-financial assets			
Infrastructure, plant and equipment	5A	706	945
Intangibles	5B	73	90
Other	5D	100	48
Total non-financial assets		<u>879</u>	<u>1,083</u>
TOTAL ASSETS		<u><u>4,351</u></u>	<u><u>10,429</u></u>
LIABILITIES			
Provisions			
Employees	6	1,746	1,490
Total provisions		<u>1,746</u>	<u>1,490</u>
Payables			
Suppliers	7	577	330
Total payables		<u>577</u>	<u>330</u>
TOTAL LIABILITIES		<u><u>2,323</u></u>	<u><u>1,820</u></u>
NET ASSETS		<u><u>2,028</u></u>	<u><u>8,609</u></u>
EQUITY			
Contributed equity	8	(4,400)	-
Reserves	8	-	-
Retained surpluses	8	6,428	8,609
TOTAL EQUITY	8	<u><u>2,028</u></u>	<u><u>8,609</u></u>
Current assets		3,572	9,394
Non-current assets		779	1,035
Current liabilities		1,534	1,164
Non-current liabilities		789	656

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

**FEDERAL MAGISTRATES SERVICE
STATEMENT OF CASH FLOWS**

for the year ended 30 June 2003

	Notes	2003 \$'000	2002 \$'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		127	43
Appropriations		14,816	10,507
Interest		11	164
GST received from ATO		485	388
Total cash received		<u>15,439</u>	<u>11,102</u>
Cash used			
Employees		7,636	6,384
Suppliers		5,521	4,203
Total cash used		<u>13,157</u>	<u>10,587</u>
Net cash from operating activities	9	<u>2,282</u>	<u>515</u>
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		61	511
Purchase of intangibles		22	28
Total cash used		<u>83</u>	<u>539</u>
Net cash (used by) investing activities		<u>(83)</u>	<u>(539)</u>
FINANCING ACTIVITIES			
Cash used			
Capital use charge paid		395	402
ABIS interest returned		439	-
Return of contributed equity		4,400	-
Total cash used		<u>5,234</u>	<u>402</u>
Net cash (used by) financing activities		<u>(5,234)</u>	<u>(402)</u>
Net increase / (decrease) in cash held		<u>(3,035)</u>	<u>(426)</u>
Cash at the beginning of the reporting period		3,658	4,084
Cash at the end of the reporting period	4A	<u>623</u>	<u>3,658</u>

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

**FEDERAL MAGISTRATES SERVICE
SCHEDULE OF COMMITMENTS**

as at 30 June 2003

BY TYPE	2003 \$'000	2002 \$'000
Other Commitments		
Operating leases	<u>167</u>	<u>100</u>
<i>Total other commitments</i>	<u>167</u>	<u>100</u>
Net commitments	<u>167</u>	<u>100</u>
 BY MATURITY		
Operating lease commitments		
One year or less	125	80
From one to five years	<u>42</u>	<u>20</u>
<i>Net commitments by maturity</i>	<u>167</u>	<u>100</u>

<i>Nature of lease</i>	<i>General description of leasing arrangement</i>
Agreements for the provision of motor vehicles to senior executive officers	No contingent rentals exist. There are no renewal or purchase options available to the FMS.

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

**FEDERAL MAGISTRATES SERVICE
SCHEDULE OF CONTINGENCIES**

as at 30 June 2003

FMS had no contingent losses or gains as at 30 June 2003.

SCHEDULE OF UNQUANTIFIABLE CONTINGENCIES

There were no unquantifiable contingencies as at 30 June 2003.

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

**FEDERAL MAGISTRATES SERVICE
SCHEDULE OF ADMINISTERED ITEMS**

	Notes	2003 \$'000	2002 \$'000
Revenues Administered on Behalf of Government			
<i>for the year ended 30 June 2003</i>			
Non-taxation revenue			
Other taxes, fees and fines	16	<u>10,112</u>	<u>8,745</u>
Total Revenues Administered on Behalf of Government		<u><u>10,112</u></u>	<u><u>8,745</u></u>
Expenses Administered on Behalf of Government			
<i>for the year ended 30 June 2003</i>			
Suppliers	17	<u>625</u>	<u>178</u>
Other	17	<u>28</u>	<u>28</u>
Total Expenses Administered on Behalf of Government		<u><u>653</u></u>	<u><u>206</u></u>

This schedule should be read in conjunction with the accompanying notes

FEDERAL MAGISTRATES SERVICE
SCHEDULE OF ADMINISTERED ITEMS (continued)

	Notes	2003 \$'000	2002 \$'000
Assets Administered on behalf of Government			
<i>as at 30 June 2003</i>			
Financial Assets			
Cash	18	1	-
Receivables	18	66	51
Total Assets Administered on Behalf of Government		<u>67</u>	<u>51</u>
Liabilities Administered on behalf of Government			
<i>as at 30 June 2003</i>			
Payables			
Suppliers	19	59	58
Other payables		-	-
Total Liabilities Administered on Behalf of Government		<u>59</u>	<u>58</u>
Net Assets Administered on Behalf of Government	20	<u>8</u>	<u>(7)</u>
Current Liabilities		59	58
Non-current Liabilities		-	-
Current Assets		67	51
Non-current Assets		-	-

This schedule should be read in conjunction with the accompanying notes

FEDERAL MAGISTRATES SERVICE
SCHEDULE OF ADMINISTERED ITEMS (continued)

	2003	2002
	\$'000	\$'000
Administered Cash Flows		
<i>for the year ended 30 June 2003</i>		
Operating Activities		
Cash received		
Other taxes, fees and fines	10,103	8,700
Cash from Official Public Account for:		
- Appropriations	708	163
Other – GST received from ATO	49	8
Total cash received	<u>10,860</u>	<u>8,871</u>
Cash used		
Suppliers	679	135
Cash to Official Public Account:		
- Other taxes, fees and fines	10,152	8,708
Other – GST paid to ATO		
Other – Refunds of fees	28	28
Total cash used	<u>10,859</u>	<u>8,871</u>
Net cash from / (used in) operating activities	<u>1</u>	<u>-</u>
Net increase (decrease) in cash held	1	-
Cash at the beginning of the reporting period	-	-
Cash at the end of the reporting period	<u>1</u>	<u>-</u>

This schedule should be read in conjunction with the accompanying notes

FEDERAL MAGISTRATES SERVICE
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

- Note 1: Summary of Significant Accounting Policies
- Note 2: Operating Revenues
- Note 3: Operating Expenses
- Note 4: Financial Assets
- Note 5: Non-Financial Assets
- Note 6: Provisions
- Note 7: Payables
- Note 8: Equity
- Note 9: Cash Flow Reconciliation
- Note 10: Executive Remuneration
- Note 11: Resources received free of charge
- Note 12: Remuneration of Auditors
- Note 13: Act of Grace Payments, Waivers and Defective Administration Scheme
- Note 14: Average Staffing Levels
- Note 15: Financial Instruments
- Note 16: Revenues Administered on Behalf of Government
- Note 17: Expenses Administered on Behalf of Government
- Note 18: Assets Administered on Behalf of Government
- Note 19: Liabilities Administered on Behalf of Government
- Note 20: Administered Reconciliation Table
- Note 21: Administered Financial Instruments
- Note 22: Appropriations
- Note 23: Reporting of Outcomes
- Note 24: Special Public Money

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Federal Magistrates Service (FMS)

The objective of the FMS is to provide the Australian community with a simple and accessible forum for the resolution of less complex disputes within the jurisdiction of the Federal Magistrates Service. The FMS is structured to meet this single outcome.

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

1.2 Basis of Accounting

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

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the *Financial Management and Accountability (Financial Statements for reporting periods ending on or after 30 June 2003) Orders*);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

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

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of 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 accounting standard. Liabilities and assets which are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

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

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

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 agency items, except where otherwise stated at Note 1.17.

1.3 Changes in Accounting Policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2001-02, except in respect of:

- the accounting for output appropriations (refer to Note 1.4);
- recognition of equity injections (refer to Note 1.5);
- measurement of certain employee benefits at nominal amounts (refer to Note 1.6);
- the initial revaluation of property plant and equipment on a fair value basis (refer to Note 1.12); and
- the imposition of an impairment test for non-current assets carried at cost (refer to Note 1.13).

1.4 Revenue

Revenues from Government

Departmental outputs appropriations for the year (less any savings offered up in Portfolio Additional Estimates Statements) 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.

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 (Refer to Note 1.5).

Other Revenue

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

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

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

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

1.5 Transactions with the Government as Owner

Equity injections

From 1 July 2002, the FMOs require that amounts of appropriations designated as 'equity injections' (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in Contributed Equity as at 1 July or later date of effect of the appropriation. FMS has not had any Equity injections.

Restructuring of Administrative Arrangements

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

Capital Use Charge

A Capital Usage Charge of 11% (2002: 11%) is imposed by the Government on the departmental net assets of the FMS at year end. The net assets figure is adjusted to take account of asset gifts and revaluation increments during the financial year. The Charge is accounted for as a dividend to Government.

In accordance with the recommendations of a review of Budget Estimates and Framework, the Government has decided that the Charge will not operate after 30 June 2003.

Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend. The Government announced in the 2003-04 Budget context that future year appropriations would be increased to fund an additional two federal magistrates and related support costs, offset by the return of \$4,400,000 in surplus output appropriation funding in 2002-03.

1.6 Employee Benefits

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

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

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. This is a change in accounting policy from last year required by the initial application of a new Accounting Standard AASB 1028 from 1 July 2002. As FMS's certified agreement raises pay rates on 30 June each year, the financial effect of this change is not material.

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 FMS is estimated to be less than the annual entitlement for sick leave.

Notes to and forming part of the Financial Statements

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

The liability for long service leave has been determined by reference to the "shorthand method" outlined in Finance Brief 13 *Measurement of Commonwealth sector employee leave entitlements* as FMS has less than 999 FTE. 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 FMS are members of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Commonwealth and is settled by the Commonwealth in due course.

FMS makes employer contributions to the Commonwealth at rates determined by an actuary to be sufficient to meet the cost to the Commonwealth of the superannuation entitlements of the FMS's employees.

Federal Magistrates and certain non-ongoing staff are not member of these schemes. The FMS contributes to eligible superannuation funds nominated by these employees.

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

1.7 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits. FMS has no finance leases.

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

1.8 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution.

1.9 Financial Instruments

Accounting policies for financial instruments are stated at Note 15.

1.10 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.

1.11 Property, Plant and Equipment

Asset Recognition Threshold

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

Notes to and forming part of the Financial Statements

Revaluations

Basis

Plant and equipment (P&E) are carried at valuation. Revaluations undertaken up to 30 June 2002 were done on a deprival basis; revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 *Revaluation of Non-Current Assets*.

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

Asset class	Fair value measured at	Deprival value measured at
Plant & equipment	Market selling price	Depreciated replacement cost

Under both deprival and fair value, assets which are surplus to requirements are measured at their net realisable value.

The financial effect for 2002-03 of this change in policy relates to those assets to be recognised at fair value at 30 June 2003. The financial effect of the change is given by the difference between the carrying amounts at 30 June 2002 of these assets and their fair values as at 1 July 2002. The financial effect was to decrease the carrying amount of P&E by \$74,648 and decrease accumulated results by \$74,648.

Accounting Standard AAS 6 *Accounting Policies* requires, where practicable, presentation of the information that would have been disclosed in 2001-02 had the new accounting policy always been applied. It is impracticable to present this information.

Frequency

P&E are revalued progressively in successive three-year cycles. All current cycles commenced on 1 July 2000 and finished on 30 June 2003.

P&E is revalued by type of asset. In 2001-02, all information technology assets (not under operating leases) were revalued. All other P&E assets on hand at the commencement of the cycle have been revalued in 2002-03.

Assets in each class acquired after the commencement of a progressive revaluation cycle are not captured by the progressive revaluation then in progress.

Conduct

All valuations are conducted by an independent qualified valuer.

Depreciation

Depreciable assets are written-off to their estimated residual values over their estimated useful lives to the FMS using, in all cases, the straight-line method of depreciation.

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

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

	<u>2003</u>	<u>2002</u>
Plant and equipment	4 to 10 years	4 to 10 years

The aggregate amount of depreciation for the reporting period is disclosed in Note 3C.

Recoverable Amount Test

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 *Recoverable Amount of Non-Current Assets* to the assets of agencies when the primary purpose of the asset is not the generation of net cash inflows.

No P&E has been written down to recoverable amount per AAS 10.

1.12 Intangibles

FMS's intangibles comprise purchased commercial software. These assets are carried at cost.

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 *Recoverable Amount of Non-Current Assets* to the assets of agencies when the primary purpose of the asset is not the generation of net cash inflows.

However Schedule 1 now requires such assets, if carried on the cost basis, to be assessed for indications of impairment. The carrying amount of impaired assets must be written down to the higher of its net market selling price or depreciated replacement cost.

All software assets were assessed for impairment as at 1 July 2003. None were found to be impaired.

Software is amortised on a straight-line basis over its anticipated useful life.

The useful lives of FMS's software is 4 years (2001-02: 4 years).

1.13 Taxation

The FMS is exempt from all forms of taxation except fringe benefits tax and the 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 Australian Taxation Office; and
- except for receivables and payables.

1.14 Insurance

The FMS has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through the Government's Comcare Australia.

1.15 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 otherwise stated below, administered items are accounted for on the same basis and using the same policies as for Agency items, including the application to the greatest extent possible of Accounting Standards, Accounting Interpretations and UIG Consensus Views.

Administered appropriations received or receivable from the Official Public Account (OPA) are not reported as administered revenues or assets respectively. Similarly, administered receipts transferred or transferable to the OPA are not reported as administered expenses or payables. These transactions or balances are internal to the Administered entity.

These transfers of cash are reported as administered (operating) cash flows and in the administered reconciliation table in Note 20.

Accounting policies which are relevant to administered activities only of FMS are disclosed below.

Revenue

All administered revenues are revenues relating to the core operating activities performed by the Agency on behalf of the Commonwealth.

The administered revenue comprises fees for lodging applications with the Federal Magistrates Court and fines ordered by the Federal Magistrates Court.

Expenses

All administered expenses are expenses relating to the core operating activities performed by the FMS on behalf of the Commonwealth.

Administered expenses relate to payments for services provided by community based Primary Dispute Resolution organisations, and refunds of fees.

Contingent Liabilities and Assets

The FMS has no administered contingent liabilities and assets.

Notes to and forming part of the Financial Statements

	2003	2002
	\$'000	\$'000
Note 2: Operating Revenues		
<u>Note 2A: Revenues from Government</u>		
Appropriations for outputs	12,057	11,338
Resources received free of charge (see Note 11)	<u>12,509</u>	<u>9,891</u>
Total revenues from government	<u>24,566</u>	<u>21,229</u>
<u>Note 2B: Goods and Services</u>		
Rendering of services to:		
Related entities	24	159
External entities	<u>4</u>	<u>2</u>
Total rendering of services	<u>28</u>	<u>161</u>
<u>Note 2C: Interest Revenue</u>		
Interest on deposits	<u>-</u>	<u>170</u>
Note 3: Operating Expenses		
<u>Note 3A: Employee Expenses</u>		
Wages and Salary	5,795	5,023
Superannuation	819	704
Leave and other entitlements	722	891
Other employee expenses	<u>494</u>	<u>429</u>
Total employee benefits expense	<u>7,830</u>	<u>7,047</u>
Worker compensation premiums	62	73
Total employee expenses	<u>7,892</u>	<u>7,120</u>
<u>Note 3B: Supplier Expenses</u>		
Goods from related entities	-	-
Goods from external entities	1,093	852
Services from related entities	12,509	9,891
Services from external entities	<u>4,097</u>	<u>3,084</u>
Total supplier expenses	<u>17,699</u>	<u>13,827</u>
<u>Note 3C: Depreciation and Amortisation</u>		
<i>Depreciation</i>		
Plant and equipment	<u>223</u>	<u>207</u>
Total Depreciation	<u>223</u>	<u>207</u>
<i>Amortisation</i>		
Intangibles – Computer Software	<u>39</u>	<u>31</u>
Total depreciation and amortisation	<u>262</u>	<u>238</u>

Depreciation expenses were not effected by an extension of useful lives of plant and equipment assets or re-assessment of residual values for assets, which have been revalued. (2002: \$15,300).

Notes to and forming part of the Financial Statements

2003	2002
\$'000	\$'000

The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable asset are as follows:

Plant and equipment	223	207
Purchased software	39	31
<i>Total depreciation and amortisation</i>	262	238

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

Note 3D: Write Down of Assets

Non-financial assets

Plant & equipment – revaluation decrement	2	8
Plant & equipment - write-off on disposal	-	5
<i>Total write-down of assets</i>	2	13

Note 4: Financial Assets

Note 4A: Cash

Cash at bank and on hand:		
Departmental	623	3,658
<i>Total cash</i>	623	3,658

Note 4B: Receivables

Goods and services	19	118
	19	118
GST receivable from the Australian Taxation Office	89	48
Interest receivable	-	11
Capital use charge receivable	-	11
Appropriations receivable	2,741	5,500
<i>Total receivables</i>	2,849	5,688

All receivables are current assets.

Receivables are aged as follows:

Not overdue	2,849	5,688
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Capital Use Charge Reconciliation

Balance owing 1 July	(11)	48
Capital Use Charge provided for during the period	406	343
Capital Use Charge paid	(395)	(402)
Balance owing 30 June	-	(11)

Notes to and forming part of the Financial Statements

	2003	2002
	\$'000	\$'000
Note 5: Non-Financial Assets		
Note 5A: Plant and Equipment		
<i>Information Technology Equipment</i>		
– at cost	70	612
– Accumulated depreciation	(13)	(60)
	57	552
– at 2000-03 valuation (deprival)	633	633
– Accumulated depreciation	(382)	(240)
	251	393
<i>Office Equipment and Furniture</i>		
– at 2000-03 valuation (fair value)	398	-
– Accumulated depreciation		
	398	-
<i>Total Plant and Equipment (non-current)</i>	706	945

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1. In 2002-03, the revaluations were conducted by the Australian Valuation Office.

Revaluation decrements of \$76,698 for plant and equipment were expensed (2002 decrement: \$8,548 expensed).

Note 5B: Intangibles

Computer software:

Purchased	166	144
Accumulated amortisation	(93)	(54)
<i>Total intangibles (non-current)</i>	73	90

Notes to and forming part of the Financial Statements

Note 5C: Analysis of Property, Plant, Equipment and Intangibles

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

Item	Other IP&E \$'000	Intangibles \$'000	TOTAL \$'000
As at 1 July 2002			
Gross book value	1,245	144	1,389
Accumulated depreciation/amortisation	(300)	(54)	(354)
Net book value	945	90	1,035
Additions			
by purchase	61	22	83
Net revaluation increment/(decrement)	(77)		(77)
Depreciation/amortisation expense	(223)	(39)	(262)
Recoverable Amount write-downs			
Disposals			
Other disposals			-
As at 30 June 2003			
Gross book value	1,101	166	1,267
Accumulated depreciation/amortisation	(395)	(93)	(488)
Net book value	706	73	779

Note 5D: Analysis of Property, Plant, Equipment and Intangibles

TABLE B – Assets at valuation

Item	Other IP&E \$'000
As at 30 June 2003	
Gross value	1,031
Accumulated depreciation/amortisation	(382)
Net book value	649
As at 30 June 2002	
Gross value	633
Accumulated depreciation/amortisation	(240)
Net book value	393

Notes to and forming part of the Financial Statements

	2003 \$'000	2002 \$'000
<u>Note 5E: Other Non-Financial Assets</u>		
Prepayments	<u>100</u>	<u>48</u>

All other non-financial assets are current assets.

Note 6: Provisions

Note 6A: Employee Provisions

Salaries and wages	225	138
Leave	1,493	1,197
Superannuation	<u>28</u>	<u>155</u>
Aggregate employee benefit liability	1,746	1,490
Workers' compensation	<u>-</u>	<u>-</u>
Aggregate employee benefit liability and related on-costs	<u>1,746</u>	<u>1,490</u>
Current	957	834
Non-current	789	656

Note 7: Payables

Note 7A: Supplier Payables

Trade creditors	<u>577</u>	<u>330</u>
Total supplier payables	<u>577</u>	<u>330</u>

All supplier payables are current liabilities.

Note 8: Equity

Note 8A: Analysis of Equity

Item	Accumulated Results		Contributed Equity		TOTAL EQUITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Opening balance as at 1 July	8,609	8,590	-	-	8,609	8,590
Net surplus/deficit	(1,261)	362	-	-	(1,261)	362
Decrease in retained surpluses on application of transitional provisions in accounting standard AASB 1041 <i>Revaluation of Non-current Assets</i>	(75)	-	-	-	(75)	-
Transactions with owner:						
Distributions to owner:						
Returns on Capital						
Capital Use Charge	(406)	(343)	-	-	(406)	(343)
ABIS Interest Returned	(439)	-	-	-	(439)	-
Returns of Capital						
Returns of contributed equity	-	-	(4,400)	-	(4,400)	-
Closing balance as at 30 June	6,428	8,609	(4,400)	-	2,028	8,609
Total equity attributable to the Commonwealth	6,428	8,609	(4,400)	-	2,028	8,609

Notes to and forming part of the Financial Statements

	2003 \$'000	2002 \$'000
Note 9: Cash Flow Reconciliation		
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	623	3,658
Statement of Financial Position items comprising above cash: 'Financial Asset – Cash'	623	3,658
Reconciliation of net surplus to net cash from operating activities:		
Net surplus (deficit)	(1,261)	362
Depreciation /amortisation	262	238
Net write down of non-financial assets	2	13
(Increase) / decrease in net receivables	2,668	(1,014)
(Increase) / decrease in prepayments	(52)	(22)
Increase / (decrease) in employee provisions	256	736
Increase / (decrease) in supplier payables	247	191
Capital use charge receivable	160	11
Net cash from / (used by) operating activities	2,282	515

Note 10: Executive Remuneration

	2003	2002
The number of executives who received or were due to receive total remuneration of \$100,000 or more:		
\$200,000 to \$209,999	-	1
\$210,000 to \$219,999	1	-
The aggregate amount of total remuneration of executives shown above.	\$215,072	\$201,982
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above.	Nil	Nil

Note 11: Resources received free of charge

	2003 \$'000	2002 \$'000
Services received from the Auditor-General	21	18
Services received from the Family Court of Australia	8,000	6,700
Services received from the Federal Court	4,488	3,173
	12,509	9,891

Note 12: Remuneration of Auditors

	2003 \$	2002 \$
Financial statement audit services are provided free of charge to the department.		
The fair value of the services provided was:	21,000	18,000
No other services were provided by the Auditor-General.		

Notes to and forming part of the Financial Statements

	<u>2003</u>	<u>2002</u>
	<u>\$</u>	<u>\$</u>
Note 13: Act of Grace Payments, Waivers and Defective Administration Scheme		
No 'Act of Grace' payments were made during the reporting period, and there are no amounts owing as at year end.		
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of <i>the Financial Management and Accountability Act 1997</i> .		
In relation to family law legislation administered by the FMS, under Regulations 8 and 9 of the Federal Magistrates Regulations, fees can be exempted or waived where the potential payer has been granted legal aid, is the holder of a card issued by Centrelink or where payment would cause financial hardship. There were 13,862 exemptions and waivers in 2002-03. Figures for 2001-02 were reported by the Family Court of Australia and have not been identified separately.	<u>2,481,712</u>	<u>-</u>
In relation to general federal law legislation administered by the FMS, under Regulations 8 and 9 of the Federal Magistrates Regulations, fees can be waived or exempted where payment would cause hardship or where the potential payer is in receipt of legal aid from an approved organisation. There were 899 exemptions and waivers in 2002-03 (2001-02: 245).	<u>255,560</u>	<u>58,050</u>
No payments were made under the 'Defective Administration Scheme' during the reporting period.		
Note 14: Average Staffing Levels		
The average staffing level (including federal magistrates) during the year was:	<u>77</u>	<u>67</u>

Notes to and forming part of the Financial Statements

Note 15: Financial Instruments

Note 15A: Terms, Conditions and Accounting Policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
FINANCIAL ASSETS		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	4A	Cash is recognised at its nominal amount. Interest on cash at bank is credited to revenue as it accrues.	Monies in the Agency's bank accounts are swept into the Official Public Account nightly. During 2002 interest was earned on the daily balance at rates based on money market call rates at an average of 3.2%.
Receivables for goods and services	4B	These receivables 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 collection of the debt is judged to be less rather than more likely.	All receivables are with entities external to the Commonwealth. Credit terms are net 30 days (2002: 30 days).
Appropriations receivable	4B	These receivables are recognised at their nominal amounts.	Amounts appropriated by the Parliament in the current or previous years which are available to be drawdown by the Agency.
Capital Use Charge payable	4B	This receivable is recognised as the amount owing on the estimated amount to be paid in accordance with the calculations outlined by the Department of Finance and Administration.	The final amount receivable for the year will be 11% (2002: 11%) of the closing balance of Equity less movements in the Asset Revaluation Reserve and any capital injections, less any amount settled before 30 June.

Notes to and forming part of the Financial Statements

Note 15: Financial Instruments

Note 15A: Terms, Conditions and Accounting Policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
FINANCIAL LIABILITIES		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	7	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).	All creditors are entities that are not part of the Commonwealth legal entity. Settlement is usually made net 30 days.

Notes to and forming part of the Financial Statements

Note 15B: Interest Rate Risk

It is considered that there is no interest rate risk.

Note 15C: Net Fair Values of Financial Assets and Liabilities

The net fair values of cash and non-interest-bearing financial assets and liabilities equate to their carrying amounts disclosed in the financial statements.

Note 15D: Credit Risk Exposures

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

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

All figures for credit risk referred to do not take into account the value of any collateral or other security.

Notes to and forming part of the Financial Statements

	2003 \$'000	2002 \$'000
Note 16: Revenues Administered on Behalf of Government		
Other taxes, fees and fines		
Non-taxation - court fees and fines	10,112	8,745
Total Revenues Administered on Behalf of Government	10,112	8,745
Note 17: Expenses Administered on Behalf of Government		
Suppliers		
Supply of Primary Dispute Resolution services – external entities	625	178
Other		
Refunds	28	28
Doubtful Debts	-	-
	28	28
Total Expenses Administered on Behalf of Government	653	206
Note 18: Assets Administered on Behalf of Government		
Financial Assets	Notes	
Cash		
Administered bank account – FMS	1	-
Receivables		
Other taxes, fees and fines	56	47
Less: Provision for doubtful debts	(2)	(2)
	54	45
Other – GST receivable from ATO	12	6
Total receivables (net)	66	51
Receivables (gross) are aged as follows:		
Not overdue	67	48
Overdue by:		
Less than 30 days	-	2
30 to 60 days	-	2
60 to 90 days	-	-
More than 90 days	1	1
Total receivables (gross)	68	53
The provision for doubtful debts is aged as follows:		
Not overdue		
Overdue by:		
Less than 30 days	1	-
30 to 60 days	-	1
60 to 90 days	-	-
More than 90 days	1	1
Total provision for doubtful debts	2	2
Total Assets Administered on Behalf of Government	67	51

Notes to and forming part of the Financial Statements

	2003	2002
	\$'000	\$'000
Note 19: Liabilities Administered on Behalf of Government		
Payables		
Suppliers - trade creditors	<u>59</u>	<u>58</u>
Total Payables	<u>59</u>	<u>58</u>
Total Liabilities Administered on Behalf of Government	<u>59</u>	<u>58</u>
All liabilities are expected to be settled within 12 months of balance date.		

Note 20: Administered Reconciliation Table		
<i>Administered assets less administered liabilities as at 1 July</i>	(7)	1
<i>Plus Administered revenues</i>	10,112	8,745
<i>Less Administered expenses</i>	(653)	(207)
Administered transfers to/from Government		
Appropriation transfers from OPA	708	162
Transfers to OPA	<u>(10,152)</u>	<u>(8,708)</u>
Administered assets less administered liabilities as at 30 June	8	(7)

Notes to and forming part of the Financial Statements

Note 21: Administered Financial Instruments

a) Terms, Conditions and Accounting Policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
FINANCIAL ASSETS			
Cash	18	Deposits are recognised at their nominal amounts.	The balance of the administered cash account is non-interest bearing.
Receivables for goods and services	18	These receivables 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 collection of the debt is judged to be less rather than more likely.	Receivables for fees and fines.
FINANCIAL LIABILITIES			
Trade creditors	23	Creditors 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).	All creditors are entities that are not part of the Commonwealth legal entity. Settlement is usually made net 30 days.

Notes to and forming part of the Financial Statements

Note 21B: Interest Rate Risk

It is considered that there is no interest rate risk.

Note 21C: Net Fair Values of Financial Assets and Liabilities

The net fair values of cash and non-interest-bearing financial assets and liabilities equate to their carrying amounts disclosed in the financial statements.

Note 21D: Credit Risk Exposures

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

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

All figures for credit risk referred to do not take into account the value of any collateral or other security.

Notes to and forming part of the Financial Statements

Note 22: Appropriations

Note 22A: Cash Basis Acquittal of Appropriations from Acts 1 and 3

Particulars	Administered Expenses Outcome 1	Departmental Outputs	Total
Year ended 30 June 2003	\$	\$	\$
Balance carried from previous year	-	9,158,017	9,158,017
Appropriation for reporting period (Act 1)	500,000	11,662,000	12,162,000
Appropriation for reporting period (Act 3)	-	395,000	395,000
Adjustments by the Finance Minister	(25,000)	-	(25,000)
GST credits (FMA s 30A)	55,500	485,565	541,065
Transfer to/from other agencies (FMA s 32)	150,000	-	150,000
Administered appropriation lapsed	(56)	-	(56)
Available for payments	680,444	21,700,582	22,381,026
Payments made	679,872	18,335,720	19,015,592
Balance carried to next year	572	3,364,862	3,364,434
<i>Represented by:</i>			
Cash	572	623,631	624,203
Add: Appropriations receivable	-	2,741,231	2,741,231
Total	572	3,364,862	3,364,434

Any amounts of administered appropriations for 2002-03 shown above as lapsed are estimates only as determinations are not made by the Finance Minister until after the completion of these statements.

Notes to and forming part of the Financial Statements

Note 22: Appropriations

Note 22A: Cash Basis Acquittal of Appropriations from Acts 1 and 3

Particulars	Administered Expenses Outcome 1	Departmental Outputs	Total
Year ended 30 June 2002	\$	\$	\$
Balance carried from previous year	-	8,753,804	8,753,804
Total annual appropriation	134,578	11,338,000	11,463,000
Administered appropriation lapsed	(31)	-	(31)
Available for payments	134,547	20,479,690	20,614,237
Payments made during the year	134,547	11,321,673	11,456,220
Balance carried to the next year	-	9,158,017	9,158,017
<i>Represented by:</i>			
Cash	-	3,658,017	3,658,017
<i>Add:</i> Appropriations receivable	-	5,500,000	5,500,000
Total	-	9,158,017	9,158,017

Notes to and forming part of the Financial Statements

Note 23: Reporting of Outcomes

The Federal Magistrates Service is structured to meet one outcome and one output.

Outcome: To provide the Australian community with a simple and accessible forum for the resolution of less complex disputes within the jurisdiction of the Federal Magistrates Service

Output: Provision of a Federal Magistrates Service

Note 23A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Administered expenses	653	206	653	206
Departmental expenses	25,855	21,185	25,855	21,185
Total expenses	26,508	21,391	26,508	21,391
<i>Costs recovered from provision of goods and services to the non-government sector</i>				
Administered	-	-	-	-
Departmental	4	2	4	2
Total costs recovered	4	2	4	2
<i>Other external revenues</i>				
Administered				
Fees and fines	10,112	8,745	10,112	8,745
Total Administered	10,112	8,745	10,112	8,745
Departmental				
Interest on cash deposits	-	170	-	170
Other	23	52	23	52
Goods and Services Revenue from Related Entities	1	107	1	107
Total Departmental	24	329	24	329
Total other external revenues	10,136	9,074	10,136	9,074
Net cost/(contribution) of outcome	16,368	12,327	16,368	12,327

Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

The Capital Usage Charge is not included in any of the outcomes as it is not an operating expense in end-of-year financial reports.

Notes to and forming part of the Financial Statements

Note 23B: Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs

Outcome 1	Output Group 1.1		Outcome 1 Total	
	Output 1.1.1		2003	2002
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Departmental expenses				
Employees	7,892	7,120	7,892	7,120
Suppliers	17,699	13,827	17,699	13,827
Depreciation and amortisation	262	238	262	238
Other expenses	2	13	2	13
<i>Total departmental expenses</i>	25,855	21,198	25,855	21,198
Funded by:				
Revenues from government	24,566	21,229	24,566	21,229
Interest	-	170	-	170
Sale of goods and services	28	161	28	161
<i>Total departmental revenues</i>	24,594	21,560	25,594	21,560

Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

The Capital Usage Charge is not included in any of the outcomes as it is not an operating expense in end-of-year financial reports.

Notes to and forming part of the Financial Statements

Note 23C: Major Classes of Administered Revenues and Expenses by Outcomes

	Outcome 1		Total	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Administered Revenues				
Other non-taxation revenues	10,112	8,745	10,112	8,745
<i>Total Administered Revenues</i>	10,112	8,745	10,112	8,745
Administered Expenses				
Suppliers	625	178	625	178
Other	28	28	28	28
<i>Total Administered Expenses</i>	653	206	653	206

Net costs shown include intra-government costs that are eliminated in calculating the actual Budget outcome.

Notes to and forming part of the Financial Statements

Note 24: Special Public Money

Federal Magistrates Court Litigants Fund

Purpose - to hold and disburse money paid into Court in accordance with Order 33, rule 10 of the Family Law Rules; and Order 63, rule 1 of the Federal Court Rules (money held pending acceptance by litigants; or as security for costs; or pursuant to an order of a Federal Magistrate).

	2003	2002
	\$'000	\$'000
Balance carried forward from previous year	<u>11</u>	1
Receipts during the year	<u>323</u>	32
Available for payments	334	33
Payments made	<u>108</u>	22
<i>Balance carried forward to next year</i>	<u>226</u>	<u>11</u>

The Department of Finance and Administration is currently examining whether this fund should be made a special account under Section 20 of the Financial Management and Accountability Act 1997.