

SECTION 05

FINANCIAL STATEMENTS







FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

**To the Minister for Foreign Affairs
To the Minister for Trade and Investment**

I have audited the accompanying annual financial statements of the Department of Foreign Affairs and Trade for the year ended 30 June 2016, which comprise: Statement by the Secretary and Chief Financial Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; and Notes to and Forming Part of the Financial Statements.

Opinion

In my opinion, the financial statements of the Department of Foreign Affairs and Trade:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Department of Foreign Affairs and Trade as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

The Secretary of the Department of Foreign Affairs and Trade is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have 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

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statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, 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.

Australian National Audit Office

A handwritten signature in dark ink, appearing to read 'S. Buchanan', is placed within a light grey rectangular box.

Serena Buchanan
Executive Director

Delegate of the Auditor-General

Canberra
14 September 2016


Department of Foreign Affairs and Trade
STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

The following exemptions to the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) are published on the Department of Finance website and have been applied to DFAT's financial statements:


- a) Subsections 37(a) and 43(2)(b) to require net recording of receipts on behalf of other entities as per Section 74 of the *Public Governance, Performance and Accountability Act 2013*.
- b) Subsection 43(3)(a) to require net recording of cash payments on behalf of other entities made from appropriations.
- c) Section 47 to not require separate disclosure of money paid on behalf of other entities.

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

Signed 

Frances Adamson
Secretary

14 September 2016

Signed 

Paul Wood
Chief Financial Officer

14 September 2016



Department of Foreign Affairs and Trade
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

		2016	2015	Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2A	781,733	725,252	730,089
Suppliers	2B	700,842	636,431	682,839
Depreciation and amortisation	5A	147,678	147,490	117,579
Write-off and impairment of assets	2C	11,458	17,950	-
Grants		4,614	7,929	5,000
Finance costs - unwinding of discount		462	349	-
Total expenses		1,646,787	1,535,401	1,535,507
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	3A	123,856	104,953	101,539
Other revenue	3B	9,456	10,602	8,300
Total own-source revenue		133,312	115,555	109,839
Gains				
Gains on sale of assets	3C	348	536	-
Other gains	3D	2,492	2,154	687
Foreign exchange gains - non-speculative		558	6,280	-
Total gains		3,398	8,970	687
Total own-source income		136,710	124,525	110,526
Net cost of services		(1,510,077)	(1,410,876)	(1,424,981)
Revenue from Government - departmental appropriations		1,381,749	1,303,974	1,347,819
(Deficit) attributable to the Australian Government		(128,328)	(106,902)	(77,162)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		241,943	473,709	-
Total other comprehensive income		241,943	473,709	-
Total comprehensive income attributable to the Australian Government		113,615	366,807	(77,162)

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

Department of Foreign Affairs and Trade

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	4A	57,295	84,556	73,716
Trade and other receivables	4B	801,089	755,178	834,902
Total financial assets		858,384	839,734	908,618
Non-financial assets				
Land and buildings	5A	3,039,304	2,883,632	2,548,563
Property, plant and equipment	5A	263,413	208,468	424,853
Intangibles	5A	106,628	89,611	81,868
Inventories	5B	47,586	39,641	28,326
Assets held for sale	5C	106,014	671	-
Other non-financial assets	5D	94,439	85,210	91,608
Total non-financial assets		3,657,384	3,307,233	3,175,218
Total assets		4,515,768	4,146,967	4,083,836
LIABILITIES				
Payables				
Suppliers	6A	117,924	121,472	115,943
Other payables	6B	60,811	62,468	36,193
Total payables		178,735	183,940	152,136
Provisions				
Employee provisions	7A	227,468	212,482	244,934
Other provisions	7B	18,763	22,422	23,096
Total provisions		246,231	234,904	268,030
Total liabilities		424,966	418,844	420,166
Net assets		4,090,802	3,728,123	3,663,670
EQUITY				
Contributed equity/capital		2,402,445	2,153,381	2,406,397
Asset revaluation reserve		1,483,437	1,241,494	813,011
Retained surplus		204,920	333,248	444,262
Total equity		4,090,802	3,728,123	3,663,670

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



Department of Foreign Affairs and Trade
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2016

	Retained surplus			Asset revaluation reserve			Contributed equity/capital			Total equity		
	2016 \$'000	2015 \$'000	Original Budget \$'000	2016 \$'000	2015 \$'000	Original Budget \$'000	2016 \$'000	2015 \$'000	Original Budget \$'000	2016 \$'000	2015 \$'000	Original Budget \$'000
Opening balance												
Balance carried forward from previous period	333,248	440,150	521,424	1,241,494	767,785	777,915	2,153,381	2,086,006	2,148,985	3,728,123	3,293,941	3,448,324
Adjusted opening balance	333,248	440,150	521,424	1,241,494	767,785	777,915	2,153,381	2,086,006	2,148,985	3,728,123	3,293,941	3,448,324
Comprehensive income												
Revaluation adjustment	-	-	-	239,050	473,709	35,096	-	-	-	239,050	473,709	35,096
Makegood revaluation adjustment	-	-	-	2,893	-	-	-	-	-	2,893	-	-
(Deficit) for the period	(128,328)	(106,902)	(77,162)	-	-	-	-	-	-	(128,328)	(106,902)	(77,162)
Total comprehensive income	(128,328)	(106,902)	(77,162)	241,943	473,709	35,096	-	-	-	113,615	366,807	(42,066)
Transactions with owners												
Distribution to owners												
Returns of capital:												
Other	-	-	-	-	-	-	(4,618)	(106,721)	-	(4,618)	(106,721)	-
Contributions by owners												
Equity injection - Appropriations	-	-	-	-	-	-	201,511	121,064	205,241	201,511	121,064	205,241
Departmental capital budget	-	-	-	-	-	-	52,171	53,032	52,171	52,171	53,032	52,171
Total transactions with owners	-	-	-	-	-	-	249,064	67,375	257,412	249,064	67,375	257,412
Closing balance as at 30 June	204,920	333,248	444,262	1,483,437	1,241,494	813,011	2,402,445	2,153,381	2,406,397	4,090,802	3,728,123	3,663,670

Accounting Policy

Equity Injections

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

Other Distributions to Owners

The *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)* requires that distributions to owners be debited to contributed equity unless in the nature of a dividend. These represent amounts appropriated to the department that were subsequently returned to Government.

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

Department of Foreign Affairs and Trade
CASH FLOW STATEMENT
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations		1,495,558	1,509,118	1,347,819
Sale of goods and rendering of services		120,845	86,898	109,839
Special account cash transferred from Official Public Account (OPA)		108,000	183,000	-
Net GST received		42,204	37,798	-
Other		9,024	9,236	-
Total cash received		1,775,631	1,826,050	1,457,658
Cash used				
Employees		781,715	722,668	728,870
Suppliers		751,834	661,344	723,685
Section 74 receipts transferred to OPA		192,077	97,699	-
Special account cash transferred to OPA		5,800	116,000	-
Other		4,614	7,731	5,103
Total cash used		1,736,040	1,605,442	1,457,658
Net cash from operating activities	8	39,591	220,608	-
INVESTING ACTIVITIES				
Cash received				
Proceeds from sales of land and buildings		691	731	-
Proceeds from sales of property, plant and equipment		925	930	-
Total cash received		1,616	1,661	-
Cash used				
Purchase and development of land and buildings		126,555	282,202	-
Purchase and development of property, plant and equipment		89,938	60,621	535,016
Purchase and development of intangibles		37,677	36,032	-
Total cash used		254,170	378,855	535,016
Net cash (used by) investing activities		(252,554)	(377,194)	(535,016)
FINANCING ACTIVITIES				
Cash received				
Contributed equity		185,144	159,345	230,404
Other		-	-	304,612
Total cash received		185,144	159,345	535,016
Net cash from financing activities		185,144	159,345	535,016
Net (decrease) / increase in cash held		(27,819)	2,759	-
Cash and cash equivalents at the beginning of the reporting period		84,556	75,517	73,716
Effect of exchange rate movements on cash and cash equivalents at the beginning of the reporting period		558	6,280	-
Cash and cash equivalents at the end of the reporting period	4A	57,295	84,556	73,716

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



Department of Foreign Affairs and Trade
ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
International development assistance	13A	3,116,868	4,123,826	3,105,723
Multilateral replenishments and other loans	13B	110,837	126,550	-
Other contributions	13C	425,431	361,937	466,256
Export Finance and Insurance Corporation (Efic)	13D	21,532	16,370	15,528
Other expenses	13E	7,525	29,301	4,007
Payments to corporate Commonwealth entities - Tourism Australia		144,018	138,865	137,290
Depreciation and amortisation	16A	1,460	1,322	1,507
Total expenses		3,827,671	4,798,171	3,730,311
Income				
Fees and charges	14A	465,092	402,558	455,127
Multilateral replenishments and other loans	14B	55,295	392,696	-
Efic National Interest Account (NIA)	14C	35,686	32,876	1,109
Efic Dividends		13,654	18,153	9,000
Return of prior year administered expenses	14D	34,954	33,099	52,414
Other revenue and gains	14E	6,433	8,881	158
Total income		611,114	888,263	517,808
Net cost of services		(3,216,557)	(3,909,908)	(3,212,503)
OTHER COMPREHENSIVE INCOME				
Re-measurements of defined benefit plans		(8,618)	(7,108)	-
Changes in asset revaluation surplus		(1,074)	-	-
Movement in the carrying amount of investments		8,540	14,053	-
Total other comprehensive income		(1,152)	6,945	-
Total comprehensive (loss)		(3,217,709)	(3,902,963)	(3,212,503)

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

Department of Foreign Affairs and Trade
ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash on hand or on deposit		257	1,832	16,414
Trade and other receivables	15A	185,512	175,633	2,139,685
Investments	15B	2,451,526	2,392,373	1,987,084
Total financial assets		2,637,295	2,569,838	4,143,183
Non-financial assets				
Leasehold improvements	16A	62	1,661	3,759
Property, plant and equipment	16A	6	18	26
Computer software internally developed	16A	4,094	4,586	5,118
Prepayments		572	151	2,089
Total non-financial assets		4,734	6,416	10,992
Total assets administered on behalf of Government		2,642,029	2,576,254	4,154,175
LIABILITIES				
Payables				
Grants	17A	509,767	590,449	692,234
Other payables	17B	965,376	1,072,018	1,234,543
Total payables		1,475,143	1,662,467	1,926,777
Provisions				
Employee provisions	18	89,711	80,749	20,447
Total provisions		89,711	80,749	20,447
Total liabilities administered on behalf of Government		1,564,854	1,743,216	1,947,224
Net assets		1,077,175	833,038	2,206,951

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



Department of Foreign Affairs and Trade
ADMINISTERED RECONCILIATION SCHEDULE
for the period ended 30 June 2016

	2016 \$'000	2015 \$'000
Opening assets less liabilities as at 1 July	833,038	66,153
Net (cost of)/contribution by services		
Income	611,114	888,263
Expenses		
Payments to entities other than corporate Commonwealth entities	(3,683,653)	(4,659,306)
Payments to corporate Commonwealth entities - Tourism Australia	(144,018)	(138,865)
Other comprehensive income		
Movement in the carrying amount of investments	8,540	14,053
Administered asset revaluations taken to/from reserves	(1,074)	-
Actuarial (losses) on defined benefit plans	(8,618)	(7,108)
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account		
Administered assets and liabilities appropriations	362,075	568,245
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	3,615,886	4,501,727
Payments to corporate Commonwealth entities - Tourism Australia	144,018	138,865
Special accounts		
Payments to entities other than corporate Commonwealth entities	25,881	41,483
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	831	945
Appropriation transfers to Official Public Account		
Transfers to Official Public Account	(686,845)	(581,417)
Closing assets less liabilities as at 30 June	1,077,175	833,038

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

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

Payments to Corporate Commonwealth Entities

Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses, equity injections or loans of the relevant portfolio department. The appropriation to DFAT is disclosed in Note 24A: Annual Appropriations ('Recoverable GST exclusive')

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

Department of Foreign Affairs and Trade
ADMINISTERED CASH FLOW STATEMENT
for the period ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Cash received			
Fees and charges		441,983	404,858
Net GST received		59,074	84,460
Return of prior year administered expenses		34,954	33,099
Efic - Dividends & NIA		45,996	41,652
Other		4,448	13,694
Total cash received		586,455	577,763
Cash used			
International development assistance		3,224,642	4,207,842
Other contributions		425,431	381,944
Payments to corporate Commonwealth entities - Tourism Australia		144,018	138,865
Efic - NIA		21,532	16,989
Other		7,042	13,197
Total cash used		3,822,665	4,758,837
Net cash (used by) operating activities	19	(3,236,210)	(4,181,074)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant and equipment		8	-
Total cash received		8	-
Cash used			
Purchase of intangibles		730	291
Purchase of concessional financial instruments		227,021	292,043
Investment in Efic		-	200,000
Total cash used		227,751	492,334
Net cash (used by) investing activities		(227,743)	(492,334)
Net (decrease) in cash held		(3,463,953)	(4,673,408)
Cash and cash equivalents at the beginning of the reporting period		1,832	16,414
Cash from Official Public Account			
Appropriations		4,122,810	5,209,782
Special Accounts		25,881	41,483
Total cash from official public account		4,148,691	5,251,265
Cash to Official Public Account			
Appropriations		(686,845)	(581,417)
Total cash to official public account		(686,845)	(581,417)
Effect of exchange rate fluctuations		532	(11,022)
Cash and cash equivalents at the end of the reporting period		257	1,832

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



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1: Overview

1.1 Objectives of the Department of Foreign Affairs and Trade

The Department of Foreign Affairs and Trade (DFAT) is an Australian Government controlled entity. It is a not-for-profit, non-corporate Commonwealth entity. The continued existence of DFAT in its present form and with its present outcomes and programs is dependent on Government policy and on continuing funding by Parliament for DFAT's administration and programs.

DFAT's role is to advance the interests of Australia and Australians internationally, providing foreign, trade and investment, development and international security policy advice to the Government. DFAT works with other Government agencies to ensure that Australia's pursuit of its global, regional and bilateral interests is coordinated effectively. DFAT's role involves working to strengthen Australia's security, enhancing Australia's prosperity, delivering an effective and high quality aid programme and helping Australian travellers and Australians overseas. DFAT is structured to meet three outcomes:

- **Outcome 1:** The advancement of Australia's international strategic, security and economic interests including through bilateral, regional and multilateral engagement on Australian Government foreign, trade and international development policy priorities,
- **Outcome 2:** The protection and welfare of Australians abroad and access to secure international travel documentation through timely and responsive travel advice and consular and passport services in Australia and overseas, and
- **Outcome 3:** A secure Australian Government presence overseas through the provision of security services and information and communications technology infrastructure, and the management of the Commonwealth's overseas property estate.

DFAT's activities that contribute towards these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by DFAT in its own right. Administered activities involve the management or oversight by DFAT, on behalf of the Government, of items controlled or incurred by the Government.

DFAT conducts the following administered activities on behalf of the Government:

- Official development assistance,
- Consular and passport services,
- Public information services and public diplomacy,
- International climate change engagement,
- The New Colombo Plan,
- Programmes to promote Australia's international tourism interests, and
- Payments to international organisations.

Official development assistance administered by DFAT includes international development assistance and multilateral replenishments and other loans. Appropriation funding is allocated through country, regional and global programs, and includes payments to international organisations, emergency and humanitarian programs, contributions to non-Government organisations (NGOs) and volunteer programs. These programs are focussed on providing assistance to developing countries to reduce poverty and improve living standards.

The department uses an attribution model consistent with the basis used for the 2015-16 Budget to determine allocations for departmental outcomes and direct allocations for administered outcomes reported in Note 26: Reporting of Outcomes. Net costs shown include intra-Government costs that are eliminated in calculating the actual Budget Outcome. Payments to corporate Commonwealth entities are not related to the outcomes of DFAT.

1.2 Basis of Preparation of the Financial Report

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

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

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



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- The following exemptions to the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) are published on the Department of Finance website and have been applied to DFAT’s financial statements:
- a) Subsections 37(a) and 43(2)(b) to require net recording of receipts on behalf of other entities as per Section 74 of the Public Governance, Performance and Accountability Act 2013.
 - b) Subsection 43(3)(a) to require net recording of cash payments on behalf of other entities made from appropriations.
 - c) Section 47 to not require separate disclosure of money paid on behalf of other entities.

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

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified. Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current at end of the reporting period. Exchange gains and losses are reported in the Statement of Comprehensive Income. DFAT does not enter into hedging arrangements for its foreign currency transactions and all foreign exchange gains or losses are considered non-speculative in nature.

DFAT is exempt from all forms of Australian taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). Overseas, DFAT may be subject to Value Added Tax (VAT) on the purchase of goods and services. Revenues, expenses, assets and liabilities are recognised net of GST except:

- a) where the amount of GST or VAT incurred is not recoverable from the Australian Taxation Office or overseas taxation authority, and
- b) for receivables and payables.

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes. Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

There have been no events after 30 June 2016 which will affect the financial position of DFAT materially at the reporting date.

1.3 New Australian Accounting Standard Requirements

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. When transitional provisions apply, all changes in accounting policy are made in accordance with their respective transitional provisions.

No new/revised/amending standards/interpretations that were issued by the AASB prior to the signing of the statement by the Secretary and Chief Financial Officer had a material effect, and are not expected to have a future material effect, on DFAT’s financial statements.

Future Australian Accounting Standard Requirements

The following new, revised and/or amending standards and interpretations were issued by the AASB prior to the signing of the statement by the Secretary and Chief Financial Officer, which are expected to have a material impact on DFAT’s financial statements for future reporting periods:

Standard/ Interpretation	Application date for DFAT	Nature of impending change in accounting policy and likely impact on initial application
AASB 9 Financial Instruments	1 July 2017	This revised standard represents the first phase of a three phase project to replace AASB 139 Financial Instruments: Recognition and Measurement. The amendments reduce the four categories of financial instruments to two – amortised cost and fair value. Under AASB 9, assets are to be measured at fair value unless they are held to collect cash flows and solely comprise the payment of interest and principal on specified dates. Gains and losses on assets carried at fair value are taken to profit and loss, unless they are equity instruments not held for trading and/or the entity initially elects to recognise gains/losses in other comprehensive income. Financial liabilities are measured at amortised cost unless they are measured at fair value through profit or loss.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

AASB 9 Financial Instruments		Likely impact: The standard may result in changes in Administered financial instrument disclosures. The application of the standard may have an impact on the recognition and measurement of Administered financial instruments currently classified as “available for sale”. The impact may relate to whether changes in fair value resulting from value changes and allowances for credit losses are recognised in either the Administered Schedule of Comprehensive Income or the Administered Reconciliation Schedule.
AASB 15 Revenue from Contracts with Customers	1 July 2018	<p>The standard provides a single revenue recognition model and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers, with revenue recognised as ‘performance obligations’ are satisfied.</p> <p>Likely impact: May have an impact on the timing of the recognition of revenue.</p>
AASB 16 Leases	1 January 2019	<p>The standard removes the distinction between operating and financing leases, leases are a contract that conveys the right to use an asset for a period in exchange for consideration. This will result in recording right-of-use assets for applicable leases (there are some exceptions) and a lease liability in the Statement of Financial Position.</p> <p>Likely impact: Will require major changes given the volume of leases (particularly property leases) entered into by DFAT. It will also need to be applied to subleases we have with other Government agencies overseas. There will likely need to be changes to the capture and storage of supporting documentation and lease accounting processes. If application is retrospective, there will be a significant workload either to calculate opening balance adjustments, or corrections to comparative disclosures. There are also likely to be substantial additional disclosures (e.g. assumptions, judgements).</p>

DFAT’s expected initial application date is when the accounting standard becomes operative at the beginning of DFAT’s reporting period. All other new, revised and/or amending standards and interpretations that were issued prior to the sign off date and are applicable to future reporting periods are not expected to have a future material impact on DFAT’s financial statements.

1.4 Significant Accounting Judgements and Estimates

Departmental

In the process of applying the accounting policies detailed in these statements, DFAT has made the following estimates and judgements that have a significant impact on the amounts recorded in the Departmental financial statements:

- The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer. In some instances, DFAT’s buildings are purpose built and may in fact realise more or less in the market.
- The fair value of property, plant and equipment has been taken to be the market value of similar assets or depreciated replacement value as determined by an independent valuer.
- The employee provisions have been determined by reference to advice from the Australian Government Actuary and standard parameters provided by the Department of Finance.

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

Administered

In the process of applying the accounting policies detailed in these statements, DFAT has made the following estimates and judgements that have a significant impact on the amounts recorded in the Administered financial statements:

- The fair value of the administered financial instruments in 2015-16 has been determined on a basis consistent with previous years, using professional valuation advice. The fair value of the financial instruments reported in future periods will be affected by variables such as discount rates, exchange rates and possible impairment.
- A number of debts recorded on the Efic National Interest Account are impaired, with the impairment assessment based on judgement of the risks to repayment of the debts. For some debts the judgement is discussed and agreed between DFAT and Efic, and is informed by assessment of the economic and political environment and previous repayment history.

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



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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2: Expenses

	2016 \$'000	2015 \$'000
Note 2A: Employee Benefits		
Wages and salaries	524,936	505,563
Superannuation		
Defined contribution plans	34,587	27,585
Defined benefit plans	50,594	47,488
Leave and other entitlements	66,302	51,954
Fringe benefits expense	98,350	88,696
Separation and redundancies	3,950	1,437
Other employee expenses	3,014	2,529
Total employee benefits	781,733	725,252

Accounting Policy

Accounting policies for employee benefits are included in Note 6B: Other Payables and Note 7A: Employee Provisions.

Note 2B: Suppliers

Goods and services supplied or rendered

Passport expenses	103,972	90,781
Property related expenses (excluding rent)	95,627	86,194
Security expenses	88,991	89,212
Information and communication technology	78,724	74,789
Travel expenses	59,786	56,552
Staff related expenses	44,084	35,871
Office expenses	26,179	18,830
Legal and other professional services	16,701	15,766
Contractors	14,813	14,660
Consultants	7,162	7,184
Remuneration of auditors	635	680
Other expenses	19,678	12,999
Total goods and services supplied or rendered	556,352	503,518
Goods supplied	74,252	58,733
Services rendered	482,100	444,785
Total goods and services supplied or rendered	556,352	503,518

Other suppliers

Operating lease rentals in connection with		
Minimum lease payments	142,101	122,959
Workers compensation expenses	2,389	9,954
Total other suppliers	144,490	132,913
Total suppliers	700,842	636,431

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	105,083	118,881
Between 1 to 5 years	291,832	233,645
More than 5 years	397,983	359,416
Total operating lease commitments	794,898	711,942

Commitments are GST or VAT inclusive where relevant. GST/VAT included in the total contractual commitments in place for operating leases payable expected to be recovered is \$50.5m (2015: \$47.6m).

DFAT has in place a number of sub-lease arrangements for the above operating lease commitments. Sub-lease revenue expected to be received is \$48.6m (2015: \$34.6m).

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016	2015
	\$'000	\$'000
<u>Note 2C: Write-off and Impairment of Assets</u>		
Write-off of leasehold improvements	2,312	2,003
Write-off of property, plant and equipment	3,717	1,052
Write-off of intangibles	566	13,702
Write-off of assets under construction	4,844	1,148
Write-off of financial assets	29	350
Movement in impairment allowance	(10)	(305)
Total write-down and impairment of assets	11,458	17,950

Accounting Policy

Accounting policies for financial assets are included at Note 4: Financial Assets. Accounting policies for non-financial assets are included at Note 5: Non-Financial Assets.

Note 3: Income

Note 3A: Sale of Goods and Rendering of Services

Sale of goods	688	285
Rendering of services	123,168	104,668
Total sale of goods and rendering of services	123,856	104,953

Accounting Policy

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer, and
- DFAT retains no managerial involvement or effective control over the goods.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date, determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured, and
- it is probable that the economic benefits of the transaction will flow to DFAT.

Note 3B: Other Revenue

Foreign tax refunds	4,571	4,379
Sponsorship revenue	3,596	1,566
Resources received free of charge - remuneration of auditors	635	680
Resources received free of charge - other	2	-
Other revenue	652	3,977
Total other revenue	9,456	10,602

Accounting Policy

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

Sponsorship revenue is recognised as revenue at the fair value of the sponsorship received or receivable when the probable economic benefits of the transaction will flow to DFAT.

Foreign tax refunds are recognised as revenue at the fair value of the foreign tax refund when the probable economic benefits of the transaction will flow to DFAT.



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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016 \$'000	2015 \$'000
<u>Note 3C: Gains on Sale of Assets</u>		
Land and buildings:		
Proceeds from sale	-	730
Carrying value of assets sold	-	(774)
Selling expenses	-	(83)
Property, plant and equipment:		
Proceeds from sale	925	930
Carrying value of assets sold	(199)	(259)
Leasehold Improvements:		
Proceeds from sale	-	1
Carrying value of assets sold	-	(9)
Non-financial assets held for sale		
Proceeds for sale	691	-
Carrying value of assets sold	(671)	-
Selling expenses	(398)	-
Net gain from sale of assets	348	536

Accounting Policy

Accounting policies for non-financial assets are included at Note 5: Non-Financial Assets.

Note 3D: Other Gains

Gain on restoration obligation	2,439	2,120
Assets previously expensed	16	27
Reversal of inventory write-down	-	7
Non-financial assets received free of charge	37	-
Total other gains	2,492	2,154

Accounting Policy

Accounting policies for gain on restoration obligation are included at Note 7B: Other Provisions.

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the goods would have been purchased if they had not been donated.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Financial Assets

	2016	2015
	\$'000	\$'000
Note 4A: Cash and Cash Equivalents		
Overseas Property Special Account	2,028	1,371
Cash on hand or on deposit	55,267	83,185
Total cash and cash equivalents	57,295	84,556

Accounting Policy

Cash is recognised at its nominal amount.

Note 4B: Trade and Other Receivables

Goods and services receivables

Goods and services	86,436	82,107
Total goods and services receivables	86,436	82,107

Appropriations receivables

Departmental - Operating	398,152	319,884
Departmental - Capital	190,305	126,385
Overseas Property Special Account	103,889	206,089
Total appropriations receivable	692,346	652,358

Other receivables

Advances	14,625	12,922
Statutory receivables	5,400	5,732
Cash held by outsiders	647	164
Other	1,668	1,938
Total other receivables	22,340	20,756

Total trade and other receivables (gross)

801,122	755,221
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Less impairment allowance

Other receivables	(33)	(43)
Total impairment allowance	(33)	(43)

Total trade and other receivables (net)

801,089	755,178
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Trade and other receivables (net) expected to be recovered

No more than 12 months	782,382	744,084
More than 12 months	18,707	11,094
Total trade and other receivables (net)	801,089	755,178

Trade and other receivables (gross) aged as follows

Not overdue	797,484	752,910
Overdue by:		
0 to 30 days	362	246
31 to 60 days	179	456
61 to 90 days	918	127
More than 90 days	2,179	1,482
Total trade and other receivables (gross)	801,122	755,221

The impairment allowance account is all aged more than 90 days.



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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4B: Trade and Other Receivables (continued)

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2016

	Goods and services \$'000	Other receivables \$'000	Total \$'000
Opening balance	-	43	43
Amounts written off	-	(64)	(64)
Increase recognised in net cost of services	-	54	54
Closing balance	-	33	33

Movements in relation to 2015

	Goods and services \$'000	Other receivables \$'000	Total \$'000
Opening balance	11	337	348
Amounts written off	-	(331)	(331)
Amounts recovered and reversed	(11)	(6)	(17)
Increase recognised in net cost of services	-	43	43
Closing balance	-	43	43

Accounting Policy

Aside from cash, financial assets are all classified as loans and receivables. Receivables for goods and services have 30 day terms (2015: 30 days).

Loans and Receivables

Loans and receivables have fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method less impairment.

Appropriations

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

Impairment

Financial assets are assessed for impairment at the end of each reporting period. Allowances are made when collectability of the debt is no longer probable. The loss is recognised in the Statement of Comprehensive Income.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Non-Financial Assets

Note 5A: Reconciliation of the Opening and Closing Balances of Land and Buildings, Property, Plant and Equipment and Intangibles

Reconciliation of the opening and closing balances for 2016

	Land \$'000	Buildings & leasehold improvements \$'000	Total land and buildings \$'000	Property, plant equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total intangibles \$'000	Grand total \$'000
As at 1 July 2015								
Gross book value	1,575,435	1,128,916	2,704,351	250,167	64,423	56,541	120,964	3,075,482
Accumulated depreciation, amortisation and impairment	-	(149,282)	(149,282)	(83,116)	(38,714)	(39,533)	(78,247)	(310,645)
Work in progress	-	328,563	328,563	41,417	23,637	23,257	46,894	416,874
Total as at 1 July 2015	1,575,435	1,308,197	2,883,632	208,468	49,346	40,265	89,611	3,181,711
Additions:								
By purchase or internally developed	-	126,555	126,555	89,975	28,763	8,914	37,677	254,207
Revaluations and impairments recognised in other comprehensive income	84,253	142,429	226,682	12,368	-	-	-	239,050
Write-offs and impairments recognised in net cost of services	-	(2,686)	(2,686)	(3,923)	(4,563)	(267)	(4,830)	(11,439)
Reversal of impairments recognised in net cost of services	-	-	-	16	-	-	-	16
Assets held for sale	(98,459)	(7,864)	(106,323)	-	-	-	-	(106,323)
Depreciation/amortisation expense	-	(88,517)	(88,517)	(42,588)	(8,282)	(8,291)	(16,573)	(147,678)
Other movements	-	-	-	(704)	-	743	743	-
Asset transfers	-	(39)	(39)	-	-	-	-	-
Disposals:								
Other disposals	-	-	-	(199)	-	-	-	(199)
Total as at 30 June 2016	1,561,229	1,478,075	3,039,304	263,413	65,264	41,364	106,628	3,409,345
Net book value as of 30 June 2016 represented by:								
Gross book value	1,561,229	1,421,628	2,982,857	271,839	58,094	58,656	116,750	3,371,446
Accumulated depreciation, amortisation and impairment	-	(53,996)	(53,996)	(58,008)	(33,048)	(43,351)	(76,399)	(188,403)
Work in progress	-	110,443	110,443	49,582	40,218	26,059	66,277	226,302
Total	1,561,229	1,478,075	3,039,304	263,413	65,264	41,364	106,628	3,409,345



Department of Foreign Affairs and Trade NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5A: Reconciliation of the Opening and Closing Balances of Land and Buildings, Property, Plant and Equipment and Intangibles (continued)

Reconciliation of the opening and closing balances for 2015

	Land \$'000	Buildings & leasehold improvements \$'000	Total land and buildings \$'000	Property, plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total intangibles \$'000	Grand total \$'000
As at 1 July 2014								
Gross book value	1,213,361	978,344	2,191,705	277,230	45,183	56,502	101,685	2,570,620
Accumulated depreciation, amortisation and impairment	-	(95,125)	(95,125)	(133,659)	(35,183)	(32,337)	(67,520)	(296,304)
Work in progress	-	124,631	124,631	48,923	18,745	29,647	48,392	221,946
Net book value 1 July 2014	1,213,361	1,007,850	2,221,211	192,494	28,745	53,812	82,557	2,496,262
Additions:								
By purchase or internally developed	-	282,202	282,202	60,621	35,218	814	36,032	378,855
Revaluations and impairments recognised in other comprehensive income	362,799	108,785	471,584	2,125	-	-	-	473,709
Write-offs and impairments recognised in net cost of services	-	(3,014)	(3,014)	(1,189)	(12,170)	(1,532)	(13,702)	(17,905)
Reversal of impairments recognised in net cost of services	-	-	-	27	-	-	-	27
Assets held for sale	(380)	(325)	(705)	-	-	-	-	(705)
Depreciation/amortisation expense	-	(86,863)	(86,863)	(45,351)	(7,115)	(8,161)	(15,276)	(147,490)
Other movements	-	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	4,668	(4,668)	-	-
Other disposals	(345)	(438)	(783)	(259)	-	-	-	(1,042)
Net book value 30 June 2015	1,575,435	1,308,197	2,883,632	208,468	49,346	40,265	89,611	3,181,711
Net book value as of 30 June 2015 represented by:								
Gross book value	1,575,435	1,128,916	2,704,351	250,167	64,423	56,541	120,964	3,075,482
Accumulated depreciation, amortisation and impairment	-	(149,282)	(149,282)	(83,116)	(38,714)	(39,533)	(78,247)	(310,645)
Work in progress	-	328,563	328,563	41,417	23,637	23,257	46,894	416,874
Total	1,575,435	1,308,197	2,883,632	208,468	49,346	40,265	89,611	3,181,711

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5A: Reconciliation of the Opening and Closing Balances of Land and Buildings, Property, Plant and Equipment and Intangibles (continued)

Accounting Policy

Non-financial 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.

Non-financial assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Besides those disclosed in Note 5C, no other land and building assets are expected to be sold within the next 12 months.

Asset Recognition Threshold

Purchases are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$5,000 (2015: \$2,000), which are expensed in the year of acquisition (other than where they form part of a group of similar items that are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by DFAT where there exists an obligation to restore the property to its original condition on termination of the lease. These costs are included in the value of DFAT's leasehold improvements with a corresponding provision for the 'make good' disclosed in Note 7: Provisions.

Depreciation and Amortisation

Non-financial assets are written-down to their estimated residual values over their estimated useful lives to DFAT on a straight-line basis. Depreciation and amortisation 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 applying to each class of asset are based on the following typical useful lives:

Asset Class	2016	2015
Buildings	Based on remaining useful life	Based on remaining useful life
Leasehold Improvements	Lesser of lease term or up to 15 years	Lesser of lease term or up to 15 years
Other Property, Plant and Equipment	3 to 25 years	3 to 25 years
Intangibles	5 to 10 years	5 to 10 years

Revaluations

Following initial recognition at cost, land buildings and property, plant and equipment are carried at fair value less accumulated depreciation (where relevant). 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 adjustment is accounted for in equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation adjustment of the same asset class that was previously recognised in the surplus/deficit.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the re-valued amount. Assets held overseas are valued in local currencies and translated in to Australian dollars at the exchange rates current at balance date.



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Land and buildings managed by the Overseas Property Special Account were independently valued by Savills as at 30 June 2016. Other land and buildings, leasehold improvements, plant and equipment, furniture and fittings and office equity were independently valued by Australian Valuation Solutions as at 31 March 2016.

Revaluation increments of \$84,253,000 for land (2015: \$362,799,000), \$74,769,000 for buildings (2015: \$108,785,000), \$67,660,000 for leasehold improvements (2015: nil) and \$12,368,000 for property, plant and equipment (2015: \$2,125,000) were recorded to the asset revaluation reserve.

Restrictions on Title

Due to the diplomatic nature of the overseas property portfolio, some properties have restrictions on title. Restrictions on title vary depending on local Government rules and regulations, such as long term title that prohibits the Commonwealth of Australia from profiting from sale of land. Whilst the effect of restrictions on some titles can be quantified there are others than cannot, such as those titles held in limited or unsophisticated markets. As part of the valuation process, consideration is given to the restrictions on title.

De-recognition

Non-financial assets are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment existed, the asset's recoverable amount was estimated and an impairment adjustment made if the asset's recoverable amount was less than its carrying amount.

The recoverable amount of any asset is the higher of its fair value less costs of disposal 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 DFAT were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

The following indicators of impairment were found in the current financial year:

Asset Class	2016	2015
Buildings and leasehold improvements	Nil	Nil
Other property, plant and equipment	Obsolescence/Physical damage	Obsolescence/Physical damage
Intangibles	Obsolescence/Technological changes	Obsolescence/Technological changes

Contractual Commitments for the Acquisition of Property, Plant, Equipment and Intangible Assets

DFAT has a number of contractual commitments in place for the purchase and/or development of buildings, leasehold improvements, property, plant, equipment and intangible assets, aged as follows:

	2016 (\$'000s)	2015 (\$'000s)
Within 1 year	79,962	114,077
Between 1 to 5 years	17,586	5,900
More than 5 years	-	-
Total commitments	97,548	119,977

The majority of these commitments relate to contracts in place for the development, refurbishment and upgrade of properties in DFAT's diplomatic network, and are managed through the Overseas Property Special Account.

Commitments are GST or VAT inclusive where relevant. Total GST / VAT included in the total contractual commitments in place for the purchase and/or development of property, plant, equipment and intangible assets 2016: \$2,971,000 (2015: \$3,462,000).

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016 \$'000	2015 \$'000
Note 5B: Inventories		
Inventories held for sale		
Finished goods	47,586	39,372
Total inventories held for sale	47,586	39,372
Inventories held for distribution	-	269
Total inventories	47,586	39,641

During 2016, \$44,315,464 of inventory held for sale was recognised as an expense (2015: \$36,422,659).

During 2016, \$997,907 of inventory held for distribution was recognised as an expense (2015: \$915,266).

Accounting Policy

Inventories held for sale are valued at the lower of cost and net realisable value. Inventories held for distribution are valued at cost, adjusted for any loss of service potential. Costs incurred in bringing each item of inventory to its present location and condition include the cost of direct materials and labour plus attributable costs that can be allocated on a reasonable basis.

No items of inventory were recognised at fair value less cost to sell (2015: nil), and all inventories are expected to be sold or distributed in the next 12 months.

Note 5C: Assets Held for Sale

Land	98,181	362
Buildings	7,833	309
Total assets held for sale	106,014	671

Accounting Policy

Non-current assets are classified as held for sale if the carrying amount is to be recovered principally through a sale transaction rather than through continuing use. On classification as held for sale, the asset is measured at the lower of its carrying amount and fair value less costs to sell. Any write down to fair value less costs to sell is recognised as an impairment loss. Assets which have been classified as held for sale are no longer subject to depreciation or amortisation.

The land and buildings held for sale above relate to properties held in Jakarta and Bangkok, where new properties have or are currently being constructed to replace the older properties. The properties were revalued prior to classification as held for sale with losses due to estimated disposal costs for the properties of \$309,648 included within the selling expense as part of Note 3C: Gains on Sale of Assets. The properties are expected to be disposed of via orderly market transactions within the forward estimates period.

Note 5D: Other Non-Financial Assets

Property prepayments	36,302	27,651
Other prepayments	58,137	57,559
Total other non-financial assets	94,439	85,210
Other non-financial assets expected to be recovered		
No more than 12 months	86,282	77,544
More than 12 months	8,157	7,666
Total other non-financial assets	94,439	85,210

No indicators of impairment were identified for other non-financial assets (2015: nil).



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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Payables

	2016 \$'000	2015 \$'000
Note 6A: Suppliers		
Trade creditors and accruals	117,924	121,472
Total suppliers	117,924	121,472
Suppliers expected to be settled		
No more than 12 months	117,924	121,472
Total suppliers	117,924	121,472

Accounting Policy

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

Settlement terms for suppliers were within 30 days (2015: 30 days).

Note 6B: Other Payables

Wages and salaries	6,421	17,928
Superannuation	283	2,334
Separations and redundancies	-	831
Prepayments received/unearned income	38,509	33,877
Leases	15,320	7,477
Other	278	21
Total other payables	60,811	62,468
Other payables expected to be settled		
No more than 12 months	34,580	45,160
More than 12 months	26,231	17,308
Total other payables	60,811	62,468

Accounting Policy

Other payables are classified as other financial liabilities and are recognised and measured at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

The liability for wages and salaries and superannuation recognised as at 30 June 2016 represents outstanding amounts and contributions for the final payroll fortnight of the financial year.

Operating lease payments are recognised on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets, with the associated lease straight-line liability is recognised as other payables. Lease incentives, typically in the form of a rent-free period, are also recognised as other payables and amortised over the period of the lease on a straight-line basis.

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Provisions

	2016 \$'000	2015 \$'000
Note 7A: Employee Provisions		
Leave	166,233	148,991
Separations and redundancies	20,606	21,057
Superannuation	16,087	16,340
Other employee provisions	24,542	26,094
Total employee provisions	227,468	212,482
Employee provisions expected to be settled		
No more than 12 months	80,805	80,941
More than 12 months	146,663	131,541
Total employee provisions	227,468	212,482

Accounting Policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. Other long-term employee benefit liabilities are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including DFAT's employer superannuation contribution rates and other employment on-costs, to the extent that the leave is likely to be taken during service rather than paid out on separation.

The liability for long service leave has been determined with reference to the work of an actuary as at 30 June 2014. The estimate of the present value of the liability takes into account attrition rates, pay increases through promotion and inflation. DFAT engages an actuary every three years unless it is assessed that there is a material movement in DFAT's staff profile.

Separation and Redundancy

In some countries, locally engaged staff employed by DFAT at overseas posts are entitled to separation benefits under local labour laws. DFAT provides for these separation benefits, and they have been classified as an employee benefit.

DFAT recognises a provision for redundancy when it has developed a detailed formal plan and has informed those employees affected that it will carry out those terminations of employment.

Superannuation

The majority of Australian-based staff of DFAT 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 Australian Government. The PSSap is a defined contribution scheme.

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

DFAT makes employer contributions to the employee superannuation schemes at rates determined by the Government. For defined benefit scheme employer contributions rates are determined by an actuary to be sufficient to meet the current cost to the Government. DFAT accounts for these as if they were contributions to defined contributions plans.

Where required, DFAT makes superannuation contributions for locally engaged staff overseas to comply with local labour laws. Australian-based staff who are engaged on a temporary basis and locally engaged staff overseas who are considered to be Australian residents for taxation purposes have compulsory employer superannuation contributions made on their behalf by DFAT.



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016 \$'000	2015 \$'000
Note 7B: Other Provisions		
Provision for restoration obligations	18,763	22,422
Total other provisions	18,763	22,422
Other provisions expected to be settled		
No more than 12 months	2,986	3,599
More than 12 months	15,777	18,823
Total other provisions	18,763	22,422
Provision for restoration	2016 \$'000	2015 \$'000
As at 1 July	22,422	22,981
Additional provisions made	985	221
Amounts used	-	(380)
Amounts reversed	(527)	(1,432)
Revaluation of provision	(2,893)	(688)
Movements due to foreign exchange	(70)	1,371
Unwinding of discount	462	349
Change in discount rate	(1,616)	-
As at 30 June	18,763	22,422

Accounting Policy

For a number of property leases, DFAT has obligations to restore to their original value or makegood leasehold improvements. These are assessed on a site-by-site basis in line with the relevant clauses of the underlying lease, with fair value calculated based on estimated costs per square metre at the time the makegood obligation falls due, discounted to present value.

DFAT engages an independent expert to assist in the valuation of the estimated costs to makegood. The total provision is reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the adjustment relates to the revaluation of the provision and there is sufficient related asset revaluation reserve for the associated leasehold improvement assets, the adjustment is recorded against the asset revaluation reserve. All other adjustments are recognised in the Statement of Comprehensive Income.

The department currently has 73 agreements (2015: 78) for the leasing of premises where DFAT has raised a provision to restore the premises to their original condition at the conclusion of the lease. The provision reflects the present value of these obligations.

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Cash Flow Reconciliation

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement		
Cash and cash equivalents as per		
Cash flow statement	57,295	84,556
Statement of financial position	57,295	84,556
Discrepancy	-	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net cost of services	(1,510,077)	(1,410,876)
Revenue from Government	1,381,749	1,303,974
Adjustments for non-cash items		
Depreciation/amortisation	147,678	147,490
Write-off and impairment of assets	11,458	17,950
Effect of foreign exchange on cash	(558)	(6,280)
Gain on sale of assets - excluding assets held for sale	(746)	(536)
Assets held for sale selling costs	309	-
Other gains	(2,492)	(2,154)
Movements in assets and liabilities		
Assets		
Decrease in net receivables (excl. capital appropriation receivable)	18,009	151,858
Less: Write-off and impairment of financial assets	(19)	(45)
(Increase) in inventories	(7,945)	(11,308)
Increase / (Decrease) in other non-financial assets	(9,229)	15,547
Liabilities		
(Decrease) / Increase in supplier payables	(3,548)	4,385
(Decrease) / Increase in other payables	(1,657)	16,923
Increase / (Decrease) in employee provisions	14,986	(7,881)
(Decrease) in other provisions	(3,659)	(559)
Less: Makegood provision revaluation adjustment	2,893	-
Less: Makegood provision gains	2,439	2,120
Net cash from operating activities	39,591	220,608



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Contingent Assets and Liabilities

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

	Guarantees		Claims for damages or costs		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Contingent liabilities						
Balance from previous period	98	15	539	314	637	329
New contingent liabilities recognised	-	98	-	166	-	264
Re-measurement	3	-	199	59	202	59
Obligations expired	-	(15)	(166)	-	(166)	(15)
Total contingent liabilities	101	98	572	539	673	637
Net contingent assets/(liabilities)	(101)	(98)	(572)	(539)	(673)	(637)

Quantifiable Contingencies

The above table reports contingent liabilities in respect of claims for damages/costs of \$571,600 (2015: \$538,779). This amount represents an estimate of DFAT's liability based on precedent cases and on advice from DFAT's external legal service providers. DFAT is defending the claims.

The above table also reports contingent liabilities in respect of bank and residential lease guarantees made by DFAT of \$100,777 (2015: \$98,326)

Unquantifiable Contingencies

At 30 June 2016, DFAT was involved in a number of litigation matters for losses allegedly suffered by claimants. DFAT is defending these claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 10: Senior Management Personnel Remuneration

	2016	2015
	\$	\$
Short-term employee benefits		
Salary and allowances	60,111,777	57,758,287
Other benefits	2,550,107	2,668,479
Total short-term employee benefits	62,661,884	60,426,766
Post-employment benefits - superannuation	12,307,810	11,430,373
Other long-term benefits		
Annual leave accrued	4,405,165	4,452,628
Long-service leave accrued	1,364,068	1,427,182
Total other long-term benefits	5,769,233	5,879,810
Termination benefits	183,898	-
Total senior management personnel remuneration expense	80,922,825	77,736,949

The total number of senior management personnel that are included in the above table are 278 (2015: 285).

Salary and allowances includes the following allowances paid to staff working for the department at overseas posts:

- hardship allowance in recognition of the difficulties faced at certain posts including the security environment, medical facilities, climate, pollution and access to essential services,
- cost of living adjustment and cost of posting allowance to compensate officers for the differences such as costs of purchasing goods and services at an overseas post and separation from family and wider support networks, and
- language proficiency allowance, to assist employees with the costs associated with maintaining their proficiency level in foreign languages.



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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Fair Value Measurements

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

The different levels of the fair value hierarchy are defined below.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

Accounting Policy

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. Land and buildings managed by the Overseas Property Special Account were independently valued by Savills as at 30 June 2016. Other land and buildings, leasehold improvements, plant and equipment, furniture and fittings and office equity were independently valued by Australian Valuation Solutions (AVS) as at 31 March 2016.

An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from their fair value. DFAT engaged AVS undertake this review, and AVS has provided written assurance that the models developed are in compliance with AASB 13 Fair Value Measurement.

DFAT's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial assets is considered their highest and best use.

DFAT's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Leasehold improvements - Physical depreciation and obsolescence

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into account physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all leasehold improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

Investment in the Export Finance and Insurance Corporation Commercial Account and Tourism Australia

DFAT has determined that the reported net asset values represent fair value at the end of the reporting period.

Financial Liabilities at Fair Value Through Profit and Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

Department of Foreign Affairs and Trade NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11A: Fair Value Measurements, Valuation Techniques and Inputs Used

	Fair value measurements at the end of the reporting period			Valuation Technique(s) and Inputs Used
	2016 \$'000	2015 \$'000	Category (Level 1, 2 or 3)	
Non-financial assets:				
Land	1,209,671	1,423,359	2	Market Approach: This approach seeks to estimate the current value of an asset with reference to recent market transactions involving identical or comparable assets. Inputs: Prices and other relevant information generated by market transactions involving land assets were considered.
Land	351,558	152,076	3	Market Approach Inputs: Prices and other relevant information generated by market transactions involving land assets were considered. Significant professional judgement has been utilised.
Buildings	451,778	700,398	2	Market Approach Inputs: Prices and other relevant information generated by market transactions involving building assets were considered.
Buildings	19,234	33,371	3	Market Approach Inputs: Prices and other relevant information generated by market transactions involving building assets were considered. Significant professional judgement has been utilised.
Buildings	347,307	318,404	2	Income Approach: Converts future amounts (cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts. Inputs: Market rental transaction of comparable assets, adjusted to reflect differences in price sensitive characteristics. Capitalisation rates as represented by the income produced by an investment, expressed as a percentage of the assets value.
Buildings	5,709	45,091	3	Income Approach Inputs: Market rental transaction of comparable assets, adjusted to reflect differences in price sensitive characteristics. Capitalisation rates as represented by the income produced by an investment, expressed as a percentage of the assets value. Significant professional judgement.
Buildings	375,587	66,639	3	Depreciated Replacement Cost: The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence. Inputs: Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11A: Fair Value Measurements, Valuation Techniques and Inputs Used (continued)

	Fair value measurements at the end of the reporting period			Valuation Technique(s) and Inputs Used
	2016 \$'000	2015 \$'000	Category (Level 1, 2 or 3)	
Leasehold Improvements	278,460	144,294	3	Depreciated Replacement Cost Inputs: Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Property, Plant and Equipment	179,277	103,276	2	Market Approach Inputs: Prices and other relevant information generated by market transactions involving property, plant and equipment assets were considered.
Property, Plant and Equipment	2,620	8,488	3	Market Approach Inputs: Prices and other relevant information generated by market transactions involving property, plant and equipment assets were considered. Significant professional judgement has been utilised.
Property, Plant and Equipment	81,516	96,704	3	Depreciated Replacement Cost Inputs: Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Total Non-financial assets	3,302,717	3,092,100		
Total fair value measurement of assets in the statement of financial position	3,302,717	3,092,100		

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11A: Fair Value Measurements, Valuation Techniques and Inputs Used (continued)

Assets not measured at fair value in the statement of financial position:

	2016 \$'000	2015 \$'000	
Land ¹	98,181	362	Market Approach
			Inputs: Prices and other relevant information generated by market transactions involving land assets were considered.
Buildings ¹	7,833	309	Market Approach.
			Inputs: Prices and other relevant information generated by market transactions involving build assets were considered.
Total non-financial assets	106,014	671	
Total assets not measured at fair value in the statement of financial position	106,014	671	

1. Two (2) former Chancery land and building assets located in Jakarta, Indonesia and Bangkok, Thailand were measured at fair value on a non-recurring basis as at 30 June 2016 (2015: A residential property located in Johannesburg, South Africa was measured at fair value on a non-recurring basis and has now been disposed).



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11B: Reconciliation for Recurring Level 3 Fair Value Measurements

	Non-Financial assets				
	Land	Buildings	Leasehold	Property,	Total
			improve-	plant and	
			ments	equipment	
	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance - 1 July 2015	152,076	145,101	144,294	105,192	546,663
Total gains/(losses) recognised in other comprehensive income ¹	(2,961)	8,198	29,723	(22,128)	12,832
Reclassifications	-	-	-	(773)	(773)
Purchases	201,993	246,846	115,253	929	565,021
Disposals	-	-	(10,810)	(1,072)	(11,882)
Transfers into Level 3 ²	450	385	-	1,988	2,823
Closing balance - 30 June 2016	351,558	400,530	278,460	84,136	1,114,684

	Non-Financial assets				
	Land	Buildings	Leasehold	Property,	Total
			improve-	plant and	
			ments	equipment	
	2015	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance - 1 July 2014	135,619	128,032	166,675	89,835	520,161
Total gains/(losses) recognised in other comprehensive income ¹	26,531	12,381	(54,233)	(30,010)	(45,331)
Reclassifications	-	-	633	(49)	584
Purchases	-	8,599	33,231	40,462	82,292
Disposals	-	-	(2,012)	(642)	(2,654)
Transfers into Level 3 ²	-	622	-	8,839	9,461
Transfers out of Level 3	(10,074)	(4,533)	-	(3,243)	(17,850)
Closing balance - 30 June 2015	152,076	145,101	144,294	105,192	546,663

1. These gains/(losses) are presented in the Statement of Comprehensive Income under Depreciation and Amortisation and Write-off and Impairment of Assets.

2. There have transfers of land, buildings and property, plant and equipment assets into Level 3 due to a combination of, limited market transactions, use of significant professional judgement, or a change in the valuation technique from a Market Approach to Depreciated Replacement Cost approach.

3. There have been no transfers out of Level 3 in the current year.

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12: Financial Instruments

		2016 \$'000	2015 \$'000
Note 12A: Categories of Financial Instruments			
Financial assets	Notes		
Loans and receivables			
Cash and cash equivalents	4A	57,295	84,556
Goods and services receivable (gross)	4B	86,436	82,107
Advances receivable	4B	14,625	12,922
Cash held by outsiders	4B	647	164
Other receivables	4B	1,668	1,938
Total loans and receivables		160,671	181,687
Total financial assets		160,671	181,687
Financial liabilities			
Financial liabilities measured at amortised cost			
Trade creditors and accruals	6A	117,924	121,472
Wages and salaries	6B	6,421	17,928
Superannuation	6B	283	2,334
Other payables	6B	278	21
Total financial liabilities measured at amortised cost		124,906	141,755
Total financial liabilities		124,906	141,755

Accounting Policy

Accounting policies for financial assets can be found in Note 4: Financial Assets. Accounting policies for financial liabilities can be found in Note 6: Payables.

Note 12B: Net Gains or Losses on Financial Assets

Loans and receivables			
Foreign exchange (loss) / gain		(3,849)	5,584
Write-off of financial assets	2C	(29)	(350)
Movement in impairment allowance	2C	10	305
Net (loss) / gain on loans and receivables		(3,868)	5,539
Net (loss) / gain on financial assets		(3,868)	5,539

Note 12C: Net Gains or Losses on Financial Liabilities

Financial liabilities measured at amortised cost			
Foreign exchange gains		4,407	696
Net gains on financial liabilities measured at amortised cost		4,407	696
Net gains on financial liabilities		4,407	696

Note 12D: Fair Value of Financial Instruments

As DFAT only holds basic financial instruments the carrying amounts are a reasonable approximation of fair value.

Note 12E: Liquidity Risk

It is highly unlikely that DFAT will encounter difficulty in meeting its obligations associated with DFAT's basic financial liabilities given that it is a Commonwealth entity and has funding mechanisms available to ensure default does not occur. In addition, DFAT has internal policies and procedures in place to ensure there are sufficient resources to make payments and it has no history of default. All non-derivative financial liabilities are expected to mature within the next 12 months. The department had no derivative financial liabilities in either 2016 or 2015.



Department of Foreign Affairs and Trade NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12F: Credit Risk

Credit risk is the possibility that a debtor will not repay some or all of a loan or receivable in a timely manner, causing loss to DFAT. DFAT is exposed to minimal credit risk as cash and cash equivalents, goods and services receivable and other receivables comprise all financial assets and these are largely held with reputable institutions and other government organisations. The maximum exposure DFAT has to credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets indicated in the Statement of Financial Position.

DFAT has assessed the risk of default on payment and has allocated \$33,210 (2015: \$43,172) to an impairment allowance for doubtful debts account. DFAT has no collateral to mitigate against credit risk.

Credit quality of financial assets not past due or individually determined as impaired						
	Not past due nor impaired		Not past due nor impaired		Past due or impaired	Past due or impaired
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	57,295	84,556	-	-	-	-
Goods and services receivable	84,327	80,319	2,109	1,788	2,109	1,788
Advances receivable	14,625	12,922	-	-	-	-
Cash held by outsiders	647	164	-	-	-	-
Other receivables	957	1,415	711	523	711	523
Total	157,851	179,376	2,820	2,311		
Ageing of financial assets that were past due but not impaired for 2016						
	0 to 30 days		31 to 60 days		61 to 90 days	
	\$'000	\$'000	\$'000	\$'000	90+ days	Total
					\$'000	\$'000
Not impaired						
Goods and services receivables	73	78	889	2,109	1,069	2,109
Other receivables	96	42	23	517	517	678
Total	169	120	912	2,787	1,586	2,787
Ageing of financial assets that were past due but not impaired for 2015						
	0 to 30 days		31 to 60 days		61 to 90 days	
	\$'000	\$'000	\$'000	\$'000	90+ days	Total
					\$'000	\$'000
Not impaired						
Goods and services receivables	176	282	104	1,226	1,226	1,788
Other receivables	70	174	23	213	213	480
Total	246	456	127	1,439	1,439	2,268

Department of Foreign Affairs and Trade NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12G: Market Risk

Currency risk

Currency risk refers to the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in foreign currency exchange rates. DFAT is exposed to foreign currency exchange risk primarily through undertaking certain transactions denominated in a wide range of foreign currency through its overseas operations. The following table illustrates the effect on DFAT's operating result (profit or loss) and equity as at 30 June 2016 from a 10.5% (2015: 10.9%) increase or decrease against the AUD in the currencies in which financial instruments were held by the department, with all other variables held constant.

Sensitivity analysis of the currency risk that the entity is exposed to for 2016						
	Risk variable \$'000	Change in risk variable %	+ Effect on		- Effect on	
			Net cost of services \$'000	Equity \$'000	Net cost of services \$'000	Equity \$'000
Cash and cash equivalents	36,997	10.5%	(3,885)	(3,885)	3,885	3,885
Goods and services receivable	2,814	10.5%	(295)	(295)	295	295
Advances receivable	12,660	10.5%	(1,329)	(1,329)	1,329	1,329
Other receivables	1,306	10.5%	(137)	(137)	137	137
Trade creditors	(19,424)	10.5%	2,040	2,040	(2,040)	(2,040)
Sensitivity analysis of the currency risk that the entity is exposed to for 2015						
	Risk variable \$'000	Change in risk variable %	+ Effect on		- Effect on	
			Net cost of services \$'000	Equity \$'000	Net cost of services \$'000	Equity \$'000
Cash and cash equivalents	53,027	10.9%	(5,775)	(5,775)	5,775	5,775
Goods and services receivable	3,620	10.9%	(394)	(394)	394	394
Advances receivable	10,987	10.9%	(1,197)	(1,197)	1,197	1,197
Other receivables	1,300	10.9%	(142)	(142)	142	142
Trade creditors	(21,698)	10.9%	2,363	2,363	(2,363)	(2,363)

Interest Rate Risk and Other Price Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The department holds basic financial instruments that do not expose it to interest rate risk or other price risk.



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13: Administered - Expenses

	2016 \$'000	2015 \$'000
Note 13A: International Development Assistance		
International development assistance	3,116,868	4,029,216
Other aid program	-	94,610
Total international development assistance	3,116,868	4,123,826

Note 13B: Multilateral Replenishments and Other Loans

Unwinding costs - multilateral grants and contributions	45,314	59,165
Loss from measuring multilateral financial liabilities - at fair value through profit & loss	58,335	49,645
Concessional cost for Australia-Indonesia Partnership for Reconstruction and Development (AIPRD) loans	7,188	17,740
Total multilateral replenishments and other loans	110,837	126,550

Accounting Policy

Accounting policies for other loans and multilateral replenishments are included in Note 15: Administered - Financial Assets and Note 17: Administered - Payables.

Note 13C: Other Contributions

Payments to international organisations	375,887	322,010
New Colombo Plan	27,302	11,179
Tourism Australia - Asia Marketing Fund	14,000	13,500
Other	8,242	15,248
Total other contributions	425,431	361,937

Accounting Policy

DFAT administers a number of agreements on behalf of the Australian Government with international organisations. Liabilities are recognised to the extent that:

- the services required to be performed by the recipient have been performed, or
- the eligibility criteria has been satisfied, but payments due have not been made.

Note 13D: Export Finance and Insurance Corporation (Efic)

Indonesia Debt 2 Health Swap	19,787	13,949
National Interest Account NIA Administration Expenses	1,745	2,421
Total Export Finance and Insurance Corporation	21,532	16,370

Accounting Policy

Accounting policies for the Export Finance and Insurance Corporation are included in Note 15: Administered - Financial Assets.

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016	2015
	\$'000	\$'000
<u>Note 13E: Other Expenses</u>		
Defined benefit pension schemes	6,536	6,505
Australia Network	-	10,588
Passport fee refunds	785	1,003
Consular services refunds	10	21
Write-off and impairment of financial assets	186	159
Write-off of non-financial assets	8	3
Other foreign exchange losses (non-speculative)	-	11,022
Total other expenses	7,525	29,301

Note 14: Administered - Income

Administered income relates to ordinary activities performed by DFAT on behalf of the Government. As such, administered appropriations are not revenues of the individual entity that oversees distribution or expenditure of the funds as directed.

Note 14A: Fees and Charges

Passport fees	455,680	393,564
Consular fees	8,676	8,510
Nuclear safeguard charges	736	484
Total fees and charges	465,092	402,558

Accounting Policy

Passport and consular income is based on a fee arrangement, collected both domestically and internationally, for the processing of new passport applications, registering lost or stolen passports, issuing emergency passports, and for other travel related documents and endorsements. Fees are determined under the *Australian Passports (Application Fees) Act 2005*, the income is recognised on receipt of the fees and all income collected is returned to consolidated revenue. The nuclear safeguard charge income is the Uranium Producers Charge for each kilogram of uranium ore concentrate produced in Australia with the income recognised on receipt of the charge with all income returned to consolidated revenue.

Note 14B: Multilateral Replenishments and Other Loans

AIPRD loan interest	11,305	10,485
Reversals of impairment on financial instrument - 'available for sale' financial asset	43,990	382,211
Total multilateral replenishments and other loans	55,295	392,696

Accounting Policy

Accounting policies for multilateral replenishments and other loans are included in Note 15: Administered - Financial Assets and Note 17: Administered - Payables.

Note 14C: Efic - National Interest Account (NIA)

NIA Interest	972	2,190
NIA Premiums	14,403	12,010
NIA Repayments of Interest Subsidies and Recoveries	20,311	18,676
Total Efic - National Interest Account (NIA)	35,686	32,876

Accounting Policy

Accounting policies for the Export Finance and Insurance Corporation are included in Note 15: Administered - Financial Assets.



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016	2015
	\$'000	\$'000
<u>Note 14D: Return of Prior Year Administered Expenses</u>		
Return of prior year administered expenses	34,954	33,099
Total return of prior year administered expenses	34,954	33,099

Accounting Policy

Return of prior year administered expenses relates to funds returned after finalisation or acquittal of an agreement or funding arrangement which were originally paid from prior year appropriations. These funds are treated as administered revenue in the year the funds are returned and are transferred back to consolidated revenue.

Note 14E: Other Revenue and Gains

Defined benefit pension schemes - contributions	4,079	8,239
Other interest	1,676	614
Other revenue	146	28
Other foreign exchange gains (non-speculative)	532	-
Total other revenue and gains	6,433	8,881

Accounting Policy

Accounting policies for the defined benefit schemes - contributions are included in Note 15: Administered - Employee Provisions.

Note 15: Administered - Financial Assets

	2016	2015
	\$'000	\$'000
<u>Note 15A: Trade and Other Receivables</u>		
Goods and services receivable	5,066	2,192
Total goods and services receivable	5,066	2,192
Advances and loans		
Concessional loan receivable - AIPRD	145,338	141,221
Other - travellers emergency loans	1,330	1,289
Total advances and loans	146,668	142,510
Other receivables		
Statutory receivables	10,942	12,368
Net position of Efic - NIA	11,635	8,291
Passport fees, passport act fines and consular fees	1,711	1,547
Other	10,493	9,582
Total other receivables	34,781	31,788
Total trade and other receivables (gross)	186,515	176,490
Less impairment allowance		
Advances and loans - travellers emergency loans	(529)	(266)
Other receivables - passport act fines	(38)	(40)
Other receivables - external parties	(436)	(551)
Total impairment allowance account	(1,003)	(857)
Total trade and other receivables (net)	185,512	175,633

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016 \$'000	2015 \$'000
Note 15A: Trade and Other Receivables (continued)		
Trade and other receivables (net) are expected to be recovered		
No more than 12 months	39,503	33,658
More than 12 months	146,009	141,975
Total trade and other receivables (net)	185,512	175,633
Trade and other receivables (gross) aged as follows		
Not overdue	181,536	174,515
Overdue by		
0 to 30 days	2,099	107
31 to 60 days	3	2
61 to 90 days	6	15
More than 90 days	2,871	1,851
Total trade and other receivables (gross)	186,515	176,490

The impairment allowance account is all aged more than 90 days.

Reconciliation of the impairment allowance account

Movements in relation to 2016				
	Advances and loans \$'000	Receivables - passports \$'000	Receivables - external parties \$'000	Total \$'000
Opening balance	266	40	551	857
Amounts impaired	263	-	-	263
(Decrease) recognised in net surplus	-	(2)	(115)	(117)
Closing balance	529	38	436	1,003
Movements in relation to 2015				
	Advances and loans \$'000	Receivables - passports \$'000	Receivables - external parties \$'000	Total \$'000
Opening balance	405	31	440	876
Amounts impaired	-	9	165	174
Amounts recovered and reversed	(139)	-	(54)	(193)
Closing balance	266	40	551	857



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Accounting Policy

Loans and Receivables

Consistent with DFAT's outcomes, long-term loans are provided to other entities at concessional rates. On payment of the loan funds, differences between the nominal value of the loan subscription and the fair value of the associated assets are recorded in the Schedule of Administered Items as an expense administered on behalf of Government.

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, de-recognition and amortisation are recognised through profit or loss.

Export Finance and Insurance Corporation – National Interest Account (NIA)

Part 5 of the *Export Finance and Insurance Corporation Act 1991* (Efic Act) provides for the Minister for Trade, Tourism and Investment to give an approval or direction to Efic to undertake any transaction that the Minister considers is in the national interest. Such transactions may relate to a class of business which Efic is not authorised to undertake, or involve terms and conditions Efic would not accept in the normal course of business on its Commercial Account. Efic manages these transactions on the NIA.

For these transactions the credit risk is borne by the Government and the funding risk is borne by Efic on the Commercial Account. Accordingly, premium or other incomes arising from these transactions are paid by Efic to the Government. Efic recovers from the Government the costs of administration and any losses incurred in respect of such business.

Loans on the NIA are funded from the Efic Commercial Account at fair value. The amount disclosed above reflects the Commonwealth's exposure on business undertaken on the NIA. It reflects the net amount of:

- a) Assets in the form of loans and rescheduled credit insurance debts to overseas governments, commitment fees on loans received by Efic but not yet paid to the Commonwealth, bond premiums receivable from exports.
- b) Liabilities relating to the reimbursement to Efic for debt forgiveness on loans, provisions for unearned income on loan premiums, accrued expenses including Efic administration fees and other creditors.

Indonesia Debt-2-Health Swap

The Indonesia Debt-2-Health Swap is a tripartite agreement between the Government of Indonesia, Efic and the Global Fund (through the International Bank for Reconstruction and Development – World Bank) whereby the Australian Government has agreed to cancel \$75 million in debt owed by the Government of Indonesia to Australia over 7 years from 2010, while at the same time the Government of Indonesia invests \$37.5 million in the Global Fund to fight AIDS, Tuberculosis and Malaria for approved tuberculosis programs. The expense recognised in Note 13D relates to DFAT providing funding to Efic to write off the debt that would otherwise be payable by the Government of Indonesia to the Australian Government through Efic.

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016 \$'000	2015 \$'000
Note 15B: Investments		
Non-monetary 'available for sale' IDA and ADF Subscriptions - fair value	1,986,684	1,936,071
Efic - Commercial Account	444,793	436,800
Tourism Australia	20,049	19,502
Total other investments	2,451,526	2,392,373
Investments are expected to be recovered in		
More than 12 months	2,451,526	2,392,373
Total other investments	2,451,526	2,392,373

Accounting Policy

Administered investments are classified as available-for-sale and are measured at their fair value as at 30 June 2016. Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the whole-of-Government level. Financial instruments are recognised on a trade date basis.

Multilateral subscriptions

The Australian Government holds these investments long term for policy reasons, with the issuers being partner foreign governments and multilateral aid organisations including the Asian Development Fund (ADF) and the International Development Association (IDA). The investment represents subscription-based membership rights held by the Australian Government in accordance with the articles of association for the International Development Association and the Asian Development Fund.

The AASB 139 Financial Instruments: Recognition and Measurement technical definition of 'available for sale' does not indicate an intention to trade these investments, as there is no observable market value for these investments. DFAT, based on independent expert valuation advice, values the investment on a discounted cash flow basis. The basis assumes the redemption of the Commonwealth's pro-rata share of the outstanding loan principal for each fund. The redemption basis is consistent with the withdrawal provisions of the articles of association with the IDA and the ADF.

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. The discount rate range uses the "build up method" based on the following components: risk free rate (20 year US Government bond rate), currency risk premium, sovereign risk premium and liquidity risk premium.

Efic – Commercial Account

Efic's principal activity is the provision of competitive finance and insurance services to Australian exporters and Australian companies investing in new projects overseas. The Australian Government guarantees to Efic's creditors for the payment of monies payable by Efic on the Commercial Account (CA). The Minister for Trade, Tourism and Investment has the powers to determine and instruct Efic to pay a dividend in accordance with section 55(1) of the Efic Act 1991. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entity as at the end of the reporting period.

Tourism Australia

Tourism Australia is the Australian Government agency responsible for attracting international visitors to Australia, both for leisure and business events. DFAT administers Tourism Australia on behalf of the Government for oversight and management purposes and to improve linkages internationally. Funding appropriated to DFAT for Tourism Australia is disclosed as Payments to corporate Commonwealth entities in the Administered Schedule of Comprehensive Income. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entity as at the end of the reporting period.



Department of Foreign Affairs and Trade NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Administered - Non-Financial Assets

Note 16A: Reconciliation of the opening and closing balances for 2016

	Leasehold improvements \$'000	Property, plant and equipment \$'000	Computer software internally developed \$'000	Total \$'000
As at 1 July 2015				
Gross book value	2,576	44	11,319	13,939
Accumulated depreciation, amortisation & impairment	(915)	(26)	(7,399)	(8,340)
Work in progress	-	-	666	666
Net book value 1 July 2015	1,661	18	4,586	6,265
Additions				
By purchase or internally developed	-	-	730	730
Revaluations and impairments recognised in other comprehensive income	(1,071)	(3)	-	(1,074)
Depreciation & amortisation expenses	(528)	(1)	(931)	(1,460)
Other movements				
Asset transfers	-	-	(291)	(291)
Disposals				
Other Disposals	-	(8)	-	(8)
Net book value 30 June 2016	62	6	4,094	4,162
Net book value as of 30 June 2016 represented by				
Gross book value	590	30	12,359	12,979
Accumulated depreciation, amortisation & impairment	(528)	(24)	(8,330)	(8,882)
Work in progress	-	-	65	65
Net book value 30 June 2016	62	6	4,094	4,162

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16A: Reconciliation of the opening and closing balances for 2015

	Leasehold improvements \$'000	Property, plant and equipment \$'000	Computer software internally developed \$'000	Total \$'000
As at 1 July 2014				
Gross book value	2,592	32	11,319	13,943
Accumulated depreciation, amortisation & impairment	(465)	(14)	(6,540)	(7,019)
Work in progress	-	-	375	375
Net book value 1 July 2014	2,127	18	5,154	7,299
Additions				
By purchase or internally developed	-	-	291	291
Depreciation & amortisation expenses	(453)	(10)	(859)	(1,322)
Other movements				
Asset transfers	(13)	13	-	-
Disposals				
Other disposals	-	(3)	-	(3)
Net book value 30 June 2015	1,661	18	4,586	6,265
Net book value as of 30 June 2015 represented by:				
Gross book value	2,576	44	11,319	13,939
Accumulated depreciation, amortisation & impairment	(915)	(26)	(7,399)	(8,340)
Work in progress	-	-	666	666
Net book value 30 June 2015	1,661	18	4,586	6,265

Leasehold improvements

There were no revaluation increments or decrements for leasehold improvements in 2015.

Property, plant and equipment

There were no revaluation increments or decrements for property, plant and equipment in 2015.

Accounting Policy

Accounting policies are included in Note 5: Non-Financial Assets



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 17: Administered - Payables

Accounting Policy

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

Financial liabilities at fair value through profit or loss include multilateral grants payable and multilateral contributions payable. Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss.

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

	2016 \$'000	2015 \$'000
Note 17A: Grants		
Multilateral grants payable - fair value through profit and loss	509,767	590,449
Total grants	509,767	590,449
Grants are expected to be settled in		
No more than 12 months	130,011	112,146
More than 12 months	379,756	478,303
Total grants	509,767	590,449
Note 17B: Other Payables		
Multilateral contributions - fair value through profit and loss	741,041	892,360
International development assistance	201,179	147,620
Unearned income - passports revenue	-	20,638
Other	23,156	11,400
Total other payables	965,376	1,072,018
Total other payables are expected to be settled in		
No more than 12 months	435,719	345,556
More than 12 months	529,657	726,462
Total other payables	965,376	1,072,018

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Administered - Employee Provisions

	2016	2015
	\$'000	\$'000
Leave	9,163	8,304
Superannuation	520	537
Defined benefit pension schemes	80,028	71,908
Total employee provisions	89,711	80,749
Employee provisions are expected to be settled in:		
No more than 12 months	5,868	4,878
More than 12 months	83,843	75,871
Total employee provisions	89,711	80,749

Accounting Policy

DFAT administers defined benefit pension schemes for some locally engaged staff in North America, the United Kingdom and India on behalf of the Australian Government. DFAT recognises an administered liability for the present values of the Government's expected future payments arising from the unfunded components of the North American Pension Scheme, London Pension Scheme and the New Delhi Gratuity Scheme.

Increases in the accrued benefits liability, pursuant to regular estimates of the liability taking account of actuarial reviews, are recognised as an expense and classified as employee superannuation expense. Re-measurement of the net defined benefit obligation is recognised in other comprehensive income as outlined in AASB 119 Employee Benefits. DFAT engages actuaries to estimate the unfunded provisions and expected future cash flows as at end of the reporting period each year. More details on the defined benefit pension schemes are included in Note 23: Administered Defined Benefit Pension Schemes.



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Administered - Cash Flow Reconciliation

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to Administered Cash Flow Statement		
Cash and cash equivalents as per		
Administered Cash Flow Statement	257	1,832
Schedule of Administered Assets and Liabilities	<u>257</u>	<u>1,832</u>
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash (used by) operating activities		
Net cost of services	(3,216,557)	(3,909,908)
Adjustments for non-cash items		
Unwinding costs - multilateral contributions	27,579	59,165
Net loss from measuring multilateral contribution financial liabilities	41,500	21,342
Write-off and impairment of financial assets	186	159
Write-off of non-financial assets	8	3
Net AIPRD concessional loan adjustment	(4,117)	10,863
Depreciation and amortisation	1,460	1,322
Non-cash asset transfer	(291)	-
Reversals of impairment on financial instrument - 'available for sale' financial asset	(43,990)	(391,236)
Other foreign exchange gains (non-speculative)	(532)	-
Movements in assets and liabilities		
Assets		
(Increase) in trade and other receivables	(5,872)	(19,389)
(Increase) / decrease in prepayments	(421)	501
Liabilities		
(Decrease) in grants payable	(80,682)	(76)
Increase in other payables	44,677	26,520
Increase in employee provisions	8,962	19,673
Defined benefit pension schemes adjustment through equity	<u>(8,120)</u>	<u>(13)</u>
Net cash (used by) operating activities	<u>(3,236,210)</u>	<u>(4,181,074)</u>

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 20: Administered - Contingent Assets and Liabilities

The department has no Administered contingent assets or liabilities (2015: nil).

Quantifiable Administered Contingencies

There are no quantifiable administered contingencies disclosed in the Administered Schedule of Assets and Liabilities.

Unquantifiable Administered Contingencies

At 30 June 2016, the department was involved in a number of matters relating to the recovery of funds. It is not possible to estimate the amounts of any eventual recoveries that may be received in relation to these matters. There are no unquantifiable administered liabilities.

Significant Remote Administered Contingencies

Under section 62 of the *Export Finance and Insurance Corporation Act 1991*, the Australian Government guarantees Efic's creditors the due payment of all monies payable, or that may at any time become payable, by Efic on the Commercial Account and has a \$200 million callable capital facility available for this purpose. This guarantee has never been utilised. Details of remote contingencies are shown in the following table.

	2016 \$'000	2015 \$'000
Contracts of insurance and guarantees	690,600	818,200
Statement of financial position liabilities	2,313,400	2,014,700
NIA contracts of insurance, guarantees and statement of position liabilities	608,300	684,900
Total	3,612,300	3,517,800

Guarantees to Subsidiaries

At the time of completion of the financial statements, there was no reason to believe that the guarantees would be called upon, and recognition of a liability was therefore not required.

Indemnities

At the time of the completion of the financial statements, there was no reason to believe that the indemnities would be called upon, and no recognition of any liability was therefore required.



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21: Administered - Fair Value Measurements

The following tables provide an analysis of administered assets and liabilities measured at fair value. The remaining assets and liabilities disclosed in the Schedule of Administered Assets and Liabilities do not apply the fair value hierarchy. See Note 11 Fair Value Measurements for an overview of the different levels of the fair value hierarchy and techniques and inputs used to determine fair value.

Note 21A: Fair Value Measurements, Valuation Techniques and Inputs Used

	Fair value measurements at the end of the reporting period using		For Levels 2 and 3 fair value measurements	
	2016 \$'000	2015 \$'000	Level (1, 2 or 3)	Valuation technique(s) ¹ Inputs used ²
Financial assets:				
Other investments:				
Non-monetary 'available for sale' IDA and ADF subscriptions	1,986,684	1,936,071	3	Discounted cash flow method A discounted rate range is used to discount the expected loan principal repayments of the loan portfolio of IDA and ADF
Investment in the Export Finance and Insurance Corporation's Commercial Account	444,793	436,800	3	Net asset position Balance sheet of the Export Finance and Insurance Corporation's Commercial Account
Tourism Australia	20,049	19,502	3	Net asset position Balance sheet of Tourism Australia
Total financial assets	2,451,526	2,392,373		
Non-financial assets:				
Leasehold Improvements	62	1,661	3	Depreciated replacement cost Replacement cost
Property, Plant and Equipment	6	18	2	Market approach Consumed economic benefits and obsolescence Adjusted market transactions
Total non-financial assets	68	1,679		
Total fair value measurements of assets in the administered schedule of assets and liabilities	2,451,594	2,394,052		

Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21A: Fair Value Measurements, Valuation Techniques and Inputs Used (continued)

	Fair value measurements at the end of the reporting period using		For Levels 2 and 3 fair value measurements	
	2016	2015	Valuation technique(s) ¹	Inputs used ²
	\$'000	\$'000	Level (1, 2 or 3)	
Financial liabilities:				
Multilateral grants	509,767	590,449	3	Discounted cash flow method A discounted rate range and a 10 year government bond rate is used to discount the expected payment schedules of each loan agreement
Multilateral contributions payable	741,041	892,360	3	Discounted cash flow method A discounted rate range and a 10 year government bond rate is used to discount the expected payment schedules of each loan agreement
Total financial liabilities	1,250,808	1,482,809		
Total fair value measurements of liabilities in the administered schedule of assets and liabilities	1,250,808	1,482,809		

There have been no transfers between levels during the year (2015: nil). DFAT's policy for determining when transfers between levels are deemed to have occurred can be found in Note 11.

Fair value measurements - highest and best use differs from current use for non-financial assets

The department's Administered assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all controlled assets is considered their highest and best use.

1. There have been no changes to valuation techniques used.
2. There were no significant inter-relationships between unobservable inputs that materially affect fair value.
3. The future economic benefits of the department's assets are not primarily dependent on their ability to generate cash flows. DFAT has not disclosed quantitative information about the significant unobservable inputs for the department's assets.



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21B: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Financial assets		Non-financial assets	
	Other investments	Total	Leasehold improvements	Total
	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000
Opening balance - 1 July 2015	2,392,373	2,392,373	1,661	1,661
Total gains recognised in net cost of services ¹	50,613	50,613	(528)	(528)
Total gains recognised in other comprehensive income ²	8,540	8,540	(1,071)	(1,071)
Closing balance - 30 June 2016	2,451,526	2,451,526	62	62
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period ³	-	-	-	-

	Financial assets		Non-financial assets	
	Other investments	Total	Leasehold improvements	Total
	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000
Opening balance - 1 July 2014	1,787,084	1,787,084	2,127	2,127
Total gains recognised in net cost of services ¹	391,236	391,236	(453)	(453)
Total gains/(losses) recognised in other comprehensive income ²	14,053	14,053	-	-
Reclassification	-	-	(13)	(13)
Purchases	200,000	200,000	-	-
Closing balance - 30 June 2015	2,392,373	2,392,373	1,661	1,661
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period ³	-	-	-	-

Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21B: Reconciliation for recurring Level 3 fair value measurements (continued)

Recurring Level 3 fair value measurements - reconciliation for liabilities

	Financial Liabilities		
	Multilateral grants 2016 \$'000	Multilateral contributions payable 2016 \$'000	Total 2016 \$'000
Opening balance - 1 July 2015	590,449	892,360	1,482,809
Total gains recognised in net cost of services ⁴	34,569	75,702	110,271
Settlements	(115,251)	(227,021)	(342,272)
Closing balance - 30 June 2016	509,767	741,041	1,250,808
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period ³	-	-	-

	Financial Liabilities		
	Multilateral grants 2015 \$'000	Multilateral contributions payable 2015 \$'000	Total 2015 \$'000
Opening balance - 1 July 2014	590,525	1,068,853	1,659,378
Total gains/(losses) recognised in net cost of services ⁴	18,109	87,468	105,577
Purchases	106,868	-	106,868
Settlements	(125,053)	(263,961)	(389,014)
Closing balance - 30 June 2015	590,449	892,360	1,482,809
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period ³	-	-	-

1. These gains/(losses) are represented in the Administered Schedule of Comprehensive Income and in Notes 13B, 13E and 14B.

2. These gains/(losses) are represented in the Administered Schedule of Comprehensive Income.

3. There are no unrealised gains (losses) for level 3 assets and liabilities in the Administered Schedule of Comprehensive Income as at both 30 June 2016 and 30 June 2015.

4. These gains/(losses) are represented in the Administered Schedule of Comprehensive Income and in Notes 13B and 14B.



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22: Administered - Financial Instruments

	2016 \$'000	2015 \$'000
Note 22A: Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	257	1,832
Loans and receivables		
Goods and services receivables	15,123	11,223
Concessional loan receivable	145,338	141,221
Net position of Efic - NIA	11,635	8,291
Traveller Emergency Loans	801	1,023
Passport fee, Passport Act fines and consular fees	1,673	1,507
Total loans and receivables	174,570	163,265
Available-for-sale financial assets		
Non-monetary available for sale debt instrument - fair value	1,986,684	1,936,071
Efic - Commercial Account	444,793	436,800
Tourism Australia	20,049	19,502
Total available for sale	2,451,526	2,392,373
Total financial assets	2,626,353	2,557,470
Financial Liabilities		
Financial liabilities measured at amortised cost		
International development assistance and other payables	224,335	159,020
Total financial liabilities measured at amortised cost	224,335	159,020
Financial liabilities at fair value through profit or loss		
Multilateral grants payable	509,767	590,449
Multilateral contributions payable	741,041	892,360
Total financial liabilities at fair value through profit or loss	1,250,808	1,482,809
Total financial liabilities	1,475,143	1,641,829

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016 \$'000	2015 \$'000
<u>Note 22B: Net Gains or Losses on Financial Assets</u>		
Loans and receivables		
Interest revenue	13,953	13,289
Concessional costs for AIPRD loans	(7,188)	(17,740)
Impairment	(263)	19
Write-off	(186)	(159)
Net gain / (loss) on loans and receivables	6,316	(4,591)
Available-for-sale financial assets		
Dividend revenue	13,654	18,153
Gains recognised in profit or loss for reversal of impairment	43,990	382,211
Revaluation gain recognised in equity	8,540	14,053
Net gain on available for sale financial assets	66,184	414,417
Net gain on financial assets	72,500	409,826
<u>Note 22C: Net Gains or Losses on Financial Liabilities</u>		
Financial liabilities measured at amortised cost		
Other revenue	-	30,686
Exchange gains/(loss)	532	(11,022)
Interest expense	-	(1,784)
Administered costs	-	(629)
Net gain on financial liabilities measured at amortised cost	532	17,251
Financial liabilities at fair value through profit or loss (held for trading)		
Unwinding of discount	(45,314)	(59,165)
Loss on remeasuring at fair value through profit or loss	(58,335)	(49,645)
Net (loss) on financial liabilities at fair value through profit or loss (held for trading)	(103,649)	(108,810)
Net (loss) on financial liabilities	(103,117)	(91,559)



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22D: Fair Value of Financial Instruments

	Carrying amount 2016 \$'000	Fair value 2016 \$'000	Carrying amount 2015 \$'000	Fair value 2015 \$'000
Financial Assets				
Cash and cash equivalents	257	257	1,832	1,832
Receivables for goods and services	15,123	15,123	11,223	11,223
Concessional loans receivable	145,338	145,338	141,221	141,221
Net position of Efic - NIA	11,635	11,635	8,291	8,291
Traveller emergency loans	801	801	1,023	1,023
Accrued Revenue - Passport fees, Passport Act fines and consular fees	1,673	1,673	1,507	1,507
Investments - available for sale	1,986,684	1,986,684	1,936,071	1,936,071
Investments - Efic	444,793	444,793	436,800	436,800
Investments - Tourism Australia	20,049	20,049	19,502	19,502
Total financial assets	2,626,353	2,626,353	2,557,470	2,557,470
Financial liabilities				
Trade creditors	224,335	224,335	159,020	159,020
Grants payable - at fair value through profit or loss	509,767	509,767	590,449	590,449
Multilateral contributions payable IDA/ADF at fair value through profit or loss	741,041	741,041	892,360	892,360
Total financial liabilities	1,475,143	1,475,143	1,641,829	1,641,829

Fair value measurements categorised by fair value hierarchy

The table at Note 21A provides an analysis of financial instruments that are measured at fair value, by valuation method.

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22E: Credit Risk

Recognised in the DFAT Administered Accounts

The department's senior executive has endorsed policies and procedures for debt management (including the provision of credit terms) to reduce the incidence of credit risk. Collateral is not required on any loan.

Credit risk is the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and will therefore cause a loss to the department. The department has exposure to concentrations of credit risk with regard to the 'loan receivable' and the 'non-monetary available for sale debt instrument at fair value'. The maximum exposure the department has to credit risk at reporting date in relation to each class of recognised financial assets is presented in the following table excluding any collateral or credit enhancements.

The department has assessed the risk of default on payment and has allocated \$1,003 (2015: \$857) to an impairment allowance for doubtful debts account. The department has no collateral to mitigate against credit risk.

Maximum exposure to credit risk (excluding any collateral or credit enhancements)

Financial assets carried at amount not best representing maximum exposure to credit risk

Loans and receivables
Available for sale

	2016 \$'000	2015 \$'000
	174,570	163,265
	2,451,526	2,392,373
	2,626,096	2,555,638

Total financial assets carried at amount not best representing maximum exposure to credit risk

Financial liabilities carried at amount not best representing maximum exposure to credit risk

At amortised cost
Through profit or loss

	224,335	159,020
	1,250,808	1,482,809
	1,475,143	1,641,829

Total financial liabilities carried at amount not best representing maximum exposure to credit risk

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

	Not past due or impaired 2016 \$'000	Not past due or impaired 2015 \$'000	Past due or impaired 2016 \$'000	Past due or impaired 2015 \$'000
Loans and receivables	169,591	161,290	4,979	1,975
Available for sale	2,451,526	2,392,373	-	-
Total	2,621,117	2,553,663	4,979	1,975



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22E: Credit Risk (continued)							
Ageing of financial assets that were past due but not impaired for 2016							
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90 + days \$'000	Total \$'000		
Not impaired							
Loans and receivables	2,099	3	6	1,868	3,976		
Total	2,099	3	6	1,868	3,976		
Ageing of financial assets that were past due but not impaired for 2015							
	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90 + days \$'000	Total \$'000		
Not impaired							
Loans and receivables	107	2	15	994	1,118		
Total	107	2	15	994	1,118		
Note 22F: Liquidity Risk							
The continued existence of the department in its present form and with its present programs is dependent on government policy and on continuing appropriations by Parliament for the department's administration and programs. The probability of the Government encountering difficulties meeting its administered financial obligations is less than remote.							
Maturities for non-derivative financial liabilities 2016							
	On demand \$'000	Within 1 year \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000	
Financial liabilities measured at amortised cost	-	224,335	-	-	-	224,335	
Financial liabilities at fair value through profit or loss	-	341,395	230,450	511,063	167,900	1,250,808	
Total	-	565,730	230,450	511,063	167,900	1,475,143	
Maturities for non-derivative financial liabilities 2015							
	On demand \$'000	Within 1 year \$'000	Between 1 to 2 years \$'000	Between 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000	
Financial liabilities measured at amortised cost	-	159,020	-	-	-	159,020	
Financial liabilities at fair value through profit or loss	-	278,043	335,667	594,594	274,505	1,482,809	
Total	-	437,063	335,667	594,594	274,505	1,641,829	
The department had no derivative financial liabilities in both the current and prior financial year.							

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22G: Market Risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following types of risk, either alone or in combination: interest rate risk, sovereign risk and liquidity risk (for the purposes of discounting the future value of the non-monetary 'available for sale' debt instrument); currency risk (for the purposes of converting to Australian dollars the discounted United States dollar value of the non-monetary 'available for sale' debt instrument); and the 10-year government bond rate (for the purposes of discounting future liabilities relating to multilateral loan and grant commitments). The following sensitivity analysis discloses the effect that a reasonable possible change in each risk variable, either alone, or in total, would have on the department's administered income and expenses.

The following table illustrates the effect on the department's administered net income less expenses and equity as at 30 June 2016 from 10.5% (2015: 10.9%) increase or decrease against the AUD in the currencies in which the financial instruments were administered by the department with all other variables held constant.

Sensitivity analysis of the risk that the entity is exposed to for 2016

Risk variable	Change in risk variable %	Effect on	
		Profit and loss	Equity
		\$'000	\$'000
Currency risk	\$/USD + 10.5%	(189,364)	(189,364)
Currency risk	\$/USD - 10.5%	233,700	233,700
Interest rate risk	* + 0.3%	(20,524)	(20,524)
Interest rate risk	* - 0.3%	28,316	28,316

Sensitivity analysis of the risk that the entity is exposed to for 2015

Risk variable	Change in risk variable %	Effect on	
		Profit and loss	Equity
		\$'000	\$'000
Currency risk	\$/USD + 10.9%	(191,076)	(191,076)
Currency risk	\$/USD - 10.9%	237,827	237,827
Interest rate risk	* + 0.4%	(33,320)	(33,320)
Interest rate risk	* - 0.4%	40,033	40,033

All other items are denominated in AUD and are not subject to market risk due to exchange fluctuations.



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: Administered - Defined Benefit Pension Schemes

	2016	2015
	\$'000	\$'000
<i>The amounts recognised in the Administered Schedule of Assets and Liabilities are as follows:</i>		
Present value of funded obligations	54,447	58,043
Fair value of plan assets	(36,095)	(41,886)
	18,352	16,157
Present value of unfunded obligations	61,676	55,751
Net liability in schedule of administered assets and liabilities	80,028	71,908
<i>Movements in the net liability recognised in the Administered Schedule of Assets and Liabilities as follows:</i>		
Net liability at the start of the year	71,908	57,997
Exchange differences on foreign plans	(254)	10,878
Net expense recognised in the Administered Schedule of Comprehensive Income	3,683	3,998
Net actuarial losses	8,618	7,108
Contributions by employers	(3,927)	(8,073)
Net liability at the end of the year	80,028	71,908
<i>Reconciliation of opening and closing balance of the defined benefit obligation:</i>		
Opening liability	113,793	88,666
Exchange differences on foreign plans	(5,168)	14,955
Service cost	1,100	1,359
Interest cost	3,828	4,119
Contributions by plan participants (funded schemes)	70	80
Actuarial (gains) due to experience	(1,919)	(163)
Actuarial losses due to changes in financial assumptions	1,630	1,739
Actuarial losses due to changes in demographic assumptions	7,561	7,062
Benefits paid	(4,773)	(4,024)
Closing liability	116,122	113,793
<i>Reconciliation of opening and closing balance of the fair value of plan assets:</i>		
Opening assets	41,886	30,669
Exchange differences on foreign plans	(4,915)	4,078
Expected return on plan assets	1,245	1,480
Contributions by plan participants (funded schemes)	70	80
Contributions by employer	858	5,478
Actuarial (gains) / losses	(1,346)	1,530
Benefits paid	(1,703)	(1,429)
Closing liability	36,095	41,886

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2016 \$'000	2015 \$'000
Note 23: Administered - Defined Benefit Pension Schemes (continued)		
<i>The amounts recognised in the Administered Schedule of Comprehensive Income are as follows:</i>		
Current service cost	1,100	1,359
Net interest on net defined benefit (asset)/liability	2,583	2,639
Total included 'employee benefit expense account'	3,683	3,998
<i>Amounts recognised directly in administered equity</i>		
Financial year ended	2016 \$'000	2015 \$'000
Actuarial (losses)	(8,618)	(7,108)
<i>Cumulative amounts of gains and losses recognised in administered equity</i>		
Financial year ended	2016 \$'000	2015 \$'000
Actuarial (losses)	(47,055)	(38,437)
<i>Pension Scheme Assets</i>		
<i>The fair value of scheme assets is represented by:</i>		
Financial year ended	2016 \$'000	2015 \$'000
UK equities	0.0%	0.0%
Overseas equities	0.0%	0.0%
Long dated UK corporate bonds	12.1%	12.3%
Long dated UK gilts	11.0%	10.8%
Cash	0.2%	0.3%
Insured Pensioner	1.5%	1.4%
Investment in LIC India	3.3%	2.4%
Diversified Growth Fund	71.9%	72.8%
<i>Fair Value of pension scheme assets</i>		
The fair value of scheme assets does not include amounts relating to:		
- any of the Department's (and the Australian Government's) own financial instruments, and		
- any property occupied by, or other assets used by, the Department (or the Australian Government).		
<i>Principal actuarial assumptions at the reporting date (expressed as weighted averages):</i>		
Financial year ended	2016 \$'000	2015 \$'000
Discount rate at 30 June	3.09%	3.58%
Expected return on assets at 30 June		n/a
Salary growth	2.72%	3.29%
Price inflation	2.98%	3.09%
Pension growth	2.80%	2.94%



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: Administered - Defined Benefit Pension Schemes (continued)

Historical Information

Financial year ended	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Present value of defined benefit obligations	(116,122)	(113,794)	(88,666)	(76,459)	(64,347)
Fair value of scheme assets	36,095	41,886	30,669	27,307	24,075
(Deficit) in the scheme	(80,028)	(71,908)	(57,997)	(49,152)	(40,272)
Actuarial (losses) - net liabilities	(8,618)	(7,108)	(7,069)	(5,133)	(6,155)
Effect of exchange rate gains (losses)	254	(10,877)	(453)	(3,380)	(1,538)

Expected Employer Contributions

Financial year ended	2017 \$'000	2016 \$'000
Expected employer contributions ¹	3,709	3,615

Notes

1. This represents the employer contributions, which will be paid into the schemes' funds.

Scheme information

The Department administers on behalf of the Australian Government, defined benefit pension schemes for locally engaged staff across a number of agencies at posts in London and New Delhi, and also the North American Pension Scheme. All schemes, with the exception of the New Delhi Gratuity Scheme, have been closed to new employees and provide pensions that are linked to final salaries. Figures disclosed are based on formal actuarial reviews that are generally conducted triennially and reviewed and updated by the actuary on an annual basis. The New Delhi and London schemes are partially funded and the North American Pension Scheme is fully unfunded. Contributions for the North American Scheme are made to the Consolidated Revenue Fund, which will provide funding for the benefits payable under the scheme.

Weighted average maturity profile of defined benefit obligation

Financial year ended	2016	2015
Weighted average duration of defined benefit obligation (years)	14.43	10.48

Sensitivity to assumptions

The Department's defined benefit obligation at the reporting date has been determined using actuarial calculations that require assumptions about future events. The estimated sensitivity of the defined benefit obligation to each significant assumption shown below has been determined at an individual scheme level if each assumption were changed in isolation. In practice, the schemes are subject to multiple external experience items which may vary the defined benefit obligation over time. The methods and assumptions used in preparing these sensitivity results remain consistent with those used in previous reporting periods.

The estimated effects of variations in the principal actuarial assumptions on the Department's defined benefit obligation at the reporting date are as follows:

Increase/(decrease) in defined benefit obligation

Financial year ended	2016 \$'000	2015 \$'000
Discount rate		
Increase of 0.5%	(7,840)	(8,014)
Decrease of 0.5%	8,220	8,376
Future salary increases		
Increase of 0.5%	461	510
Decrease of 0.5%	(445)	(494)
Future inflation increases		
Increase of 0.5%	7,814	7,745
Decrease of 0.5%	(7,516)	(7,489)

Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24: Appropriations

Note 24A: Annual Appropriations ('Recoverable GST exclusive')

	Appropriation Act		PGPA Act		Appropriation applied in 2016 (current and prior years) \$'000	Variance ² \$'000
	Annual Appropriation ¹ \$'000	AFM \$'000	Section 74 \$'000	Section 75 \$'000	Total appropriation \$'000	
Departmental						
Ordinary annual services	1,368,915	-	192,077	-	1,560,992	49,921
Capital budget	52,171	-	-	-	52,171	1,925
Other services						
Equity	205,241	-	-	-	205,241	70,344
Total departmental	1,626,327	-	192,077	-	1,818,404	122,190
Administered						
Ordinary annual services						
Capital budget	2,325	-	-	-	2,325	1,595
Administered items ³	3,601,101	-	-	-	3,601,101	88,773
Payments to corporate Commonwealth entities						
Commonwealth entities	144,018	-	-	-	144,018	-
Other services						
Administered assets and liabilities	13,527	-	-	-	13,527	(348,548)
Total administered	3,760,971	-	-	-	3,760,971	(258,180)



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24A: Annual Appropriations ('Recoverable GST exclusive') (continued)

1. In 2015-16, there were adjustments that met the recognition criteria of a formal addition or reduction in revenue or in equity but at law the appropriations had not been amended before the end of the reporting period as Departmental appropriations do not lapse at financial year end. The adjustments were:
- a \$51 reduction to equity of \$3,730,000 relating to the change in scope of the diplomatic accommodation project in Kabul,
 - a reduction to revenue of \$321,000 relating to portfolio efficiencies as published in the 2016-17 Portfolio Budget Statement,
 - an addition to revenue of \$6,258,261 relating to the Passport Funding Agreement,
 - an addition to revenue of \$804,789 relating to no-win/no-loss funding for FBT payable on living away from home allowance, and
 - an addition to revenue of \$24,119,702 relating to no-win/no-loss funding for foreign exchange.
- The net increase in operating appropriations of \$30,861,752 is expected to be applied to Appropriation Act (No 3) 2016-17.
2. Variances in appropriation may result from using prior year non-lapsed appropriations to fund operating and capital expenditure incurred in the current financial year, making payments for benefits to be received in future years and where obligations in the current financial year are not settled by financial year end.
3. Commonwealth Superannuation Corporation (CSC) spends money from the Consolidated Revenue Fund on behalf of DFAT in accordance with the Papua New Guinea (Staffing Assistance) Act 1973. In 2015-16 CSC drew down \$6,883,284 from DFAT's administered appropriation. This is included in the appropriation applied amount above.

Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24A: Annual Appropriations ('Recoverable GST exclusive') (continued)

	Appropriation Act		PGPA Act		Appropriation applied in 2015 (current and prior years) \$'000	Variance ² \$'000
	Annual Appropriation ¹ \$'000	AFM \$'000	Section 74 \$'000	Section 75 \$'000	Total appropriation \$'000	
Departmental						
Ordinary annual services ¹	1,377,404	-	97,699	-	1,475,103	(76,387)
Capital budget	53,032	-	-	-	53,032	(5,476)
Other services						
Equity	121,064	-	-	-	121,064	20,227
Total departmental	1,551,500	-	97,699	-	1,649,199	(61,636)
Administered						
Ordinary annual services						
Capital budget	2,293	-	-	-	2,293	2,109
Administered items ⁴	4,532,643	-	-	-	4,532,643	117,216
Payments to corporate						
Commonwealth entities	138,865	-	-	-	138,865	-
Other services						
Administered assets and liabilities	212,698	-	-	-	212,698	(355,547)
Total administered	4,886,499	-	-	-	4,886,499	(236,222)



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24A: Annual Appropriations ('Recoverable GST exclusive') (continued)

1. In 2014-15, there were adjustments that met the recognition criteria of a formal addition or reduction in revenue or in equity but at law the appropriations had not been amended before the end of the reporting period as Departmental appropriations do not lapse at financial year end. The adjustments were:
 - a reduction to revenue of \$1,240,276 relating to the Passport Funding Agreement,
 - a reduction to revenue of \$3,136,493 relating to no-win/no-loss funding for FBT payable on living away from home allowance, and
 - an addition to revenue of \$23,015,091 relating to no-win/no-loss funding for foreign exchange.The net increase in appropriations of \$18,638,322 is expected to be applied to Appropriation Act (No 3) 2015-16.
2. Variances in appropriation may result from using prior year non-lapsed appropriations to fund operating and capital expenditure incurred in the current financial year, making payments for benefits to be received in future years and where obligations in the current financial year are not settled by financial year end.
3. The reduction of \$88,000 against departmental ordinary annual services is the net effect against revenue in 2014-15 comprised of a reduction of \$643,000 relating to the Passport Funding Agreement offset against an increase in revenue of \$555,000 for the Intercountry Adoption - national support service measure included in 2014-15 Appropriation Act (No 5). The reduction of \$7,809,000 against departmental equity relates to the change in scope of the diplomatic accommodation project in Kabul. The reduction of \$1,878,000 against administered items is the net effect of an approved movement of funds and transfer of the Tasmanian Regional Tourism Package to Austrade offset by an increase in expenditure on Australia's payments to international organisations.
4. Consuper spends money from the Consolidated Revenue Fund on behalf of DFAT in accordance with the Papua New Guinea (Staffing Assistance) Act 1973. In 2014-15 Consuper drew down \$7,771,622 from DFAT's administered appropriation. This is included in the appropriation applied amount above.

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2016 \$'000	2015 \$'000
Departmental		
Appropriation Act (No. 1) 2013-14 ¹	801	801
Appropriation Act (No. 2) 2013-14	-	4,564
Appropriation Act (No. 1) 2014-15 ²	88	234,674
Appropriation Act (No. 1) 2014-15 - Departmental Capital Budget	-	4,092
Appropriation Act (No. 2) 2014-15 ³	7,809	80,816
Appropriation Act (No. 3) 2014-15	-	53,420
Appropriation Act (No. 4) 2014-15	-	40,104
Appropriation Act (No. 1) 2014-15 - Cash at bank and on hand	-	84,556
Appropriation Act (No. 1) 2015-16	353,439	-
Appropriation Act (No. 1) 2015-16 - Departmental Capital Budget	6,017	-
Appropriation Act (No. 2) 2015-16 ⁴	188,018	-
Appropriation Act (No. 1) 2015-16 - Cash at bank and on hand	57,295	-
Total departmental	613,467	503,027

1. 2013-14 includes quarantined amount of \$0.801 million under Appropriation Act (No.1) 2013-14.

2. 2014-15 includes quarantined amount of \$0.088 million under Appropriation Act (No.1) 2014-15.

3. 2014-15 includes quarantined amount of \$7.809 million under Appropriation Act (No.2) 2014-15.

4. 2015-16 includes quarantined amount of \$3.730 million under Appropriation Act (No.2) 2015-16.

5. DFAT has in place a number of no-win/no-loss funding agreements due to the complex and variable environment the department operates in overseas. The difference between the balance of departmental appropriation receivable disclosed in Note 4B and the above balance on unspent annual appropriations is due to these agreements and cash at bank and on hand. Adjustments relating to the no-win/no-loss agreements are recognised as formal additions or reductions in DFAT's accounts.

	2016 \$'000	2015 \$'000
Administered		
Appropriation Act (No. 1) 2013-14 - Administered Capital Budget	1,029	1,322
Appropriation Act (No. 3) 2013-14	265,089	286,637
Appropriation Act (No. 4) 2013-14	1,822,447	2,174,844
Appropriation Act (No. 1) 2014-15 ⁶	1,878	120,459
Appropriation Act (No. 1) 2014-15 - Administered Capital Budget	2,287	2,293
Appropriation Act (No. 3) 2014-15	617	617
Appropriation Act (No. 1) 2014-15 - Cash at bank and on hand	-	1,832
Appropriation Act (No. 1) 2015-16	228,902	-
Appropriation Act (No. 1) 2015-16 - Administered Capital Budget	1,894	-
Appropriation Act (No. 2) 2015-16	3,848	-
Appropriation Act (No. 1) 2015-16 - Cash at bank and on hand	257	-
Total administered	2,328,248	2,588,004

6. 2014-15 includes quarantined amount of \$1.878 million under Appropriation Act (No.1) 2014-15.



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2016 \$	2015 \$
Export Finance and Insurance Corporation (Efic) Act 1991 s.54(10), Administered	Unlimited Amount	For the payment by the Commonwealth to Efic of amounts equal to the amount of capital determined by the Efic Board as necessary to overcome the inadequacies, in the moneys or other assets of Efic to meet the expected liabilities, losses or claims against Efic	-	-
Public Governance, Performance and Accountability Act 2013 s. 77, Administered ¹	Refund	To provide an appropriation where an Act or other law requires or permits the repayment of an amount received by the Commonwealth and apart from this section there is no specific appropriation for the repayment	831,002	944,683
Total special appropriation applied			831,002	944,683

1. DFAT uses s. 77 of the PGPA Act to make refunds of passport fees in certain circumstances, where there is no other specific appropriation available to make the repayment.

Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 25: Special Accounts

	Consular Services Special Account ¹ (Administered)		Consular Services Special Account ² (Administered)		Administered Payments and Receipts for Other Entities Special Account ³ (Administered)		Expositions Special Account ⁴ (Administered)	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	-	-	-	-	34	5,000	994	994
Increases								
Other increases	124	-	16	196	266,303	272,309	-	-
Total increases	124	-	16	196	266,303	272,309	-	-
Available for payments	124	-	54	230	271,303	277,309	994	994
Decreases								
Administered	(92)	-	(54)	(192)	(266,334)	(272,309)	(994)	-
Total decreases	(92)	-	(54)	(192)	(266,334)	(272,309)	(994)	-
Total balance carried to the next period	32	-	-	38	4,969	5,000	-	994
	Australia-Indonesia Partnership Reconstruction and Development Special Account (Loans) ⁵ (Administered)							
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	-	-	-	38,057	7,399	443	-	6,535
Increases								
Other increases	-	18,775	-	-	29,356	11,703	-	2,078
Total increases	-	18,775	-	-	29,356	11,703	-	2,078
Available for payments	-	18,775	-	38,057	36,755	12,146	-	8,613
Decreases								
Administered	-	(18,775)	-	(38,057)	(16,330)	(4,747)	(8,613)	(8,613)
Total decreases	-	(18,775)	-	(38,057)	(16,330)	(4,747)	-	(8,613)
Total balance carried to the next period	-	-	-	-	20,425	7,399	-	-



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 25: Special Accounts (continued)

	Overseas Property Special Account ⁹ (Departmental)	
	2016 \$'000	2015 \$'000
Balance brought forward from previous period	207,460	281,327
Increases		
Other increases	72,522	201,748
Total increases	72,522	201,748
Available for payments	279,982	483,075
Decreases		
Departmental	(174,065)	(275,615)
Total decreases	(174,065)	(275,615)
Total balance carried to the next period	105,917	207,460

1. Appropriation: Public Governance, Performance and Accountability Act 2013 section 78
Establishing Instrument: PGPA Act (Consular Services Special Account 2015 – Establishment) Determination 2015/05
Purpose:
 - a) providing assistance to Australian citizens and permanent residents overseas:
 - i. in circumstances of urgency
 - ii. when commercial money transfer services are unavailable or inappropriate
 - b) to repay to an original payer amounts credited to the Special Account and residual after any necessary payments have been made under paragraph (a)
 - c) activities that are incidental to a purpose mentioned in paragraphs (a) or (b)
 - d) to reduce the balance of the Special Account (and, therefore, the available appropriation for that Account) without making a real or notional payment
 - e) to repay amounts where an Act or other law requires or permits the repayment of an amount received.

2. Appropriation: Financial Management and Accountability Act 1997 section 20
Establishing Instrument: Financial Management and Accountability (Special Accounts) Determination 2005/38
Purpose:
 - a) providing assistance to Australian citizens and permanent residents overseas:
 - i. in circumstances of urgency
 - ii. when commercial money transfer services are unavailable or inappropriate
 - b) to repay to an original payer amounts credited to the Special Account and residual after any necessary payments have been made under paragraph (a)
 - c) activities that are incidental to a purpose mentioned in paragraphs (a) or (b)
 - d) to reduce the balance of the Special Account (and, therefore, the available appropriation for that Account) without making a real or notional payment
 - e) to repay amounts where an Act or other law requires or permits the repayment of an amount received.

This special account sunsetted on 1 October 2015 and was replaced with the above special account established under the PGPA Act effective from 1 September 2015.

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 25: Special Accounts (continued)

3. Appropriation: Financial Management and Accountability Act 1997 section 20
 Establishing Instrument: Financial Management and Accountability (Special Accounts) Determination 2009/25
 Purpose:
 - a) to make payments overseas on behalf of entities
 - b) to make payments to entities for amounts received overseas on their behalf
 - c) to make payments overseas on projects jointly funded with entities
 - d) activities that are incidental to a purpose mentioned in paragraphs (a), (b) and (c)
 - e) to reduce the balance of the Special Account (and, therefore, the available appropriation for that Special Account) without making a real or notional payment
 - f) to repay amounts where an Act or other law requires or permits the repayment of an amount received.

4. Appropriation: Financial Management and Accountability Act 1997 section 20
 Establishing Instrument: Financial Management and Accountability (Special Accounts) Determination 2007/14
 Purpose:
 - a) to acquire, lease, hire, construct, manage, operate, repair, maintain, identify and advise on, and undertake any other activities in relation to Australia's participation at international expositions
 - b) activities that are incidental to a purpose mentioned in paragraph (a)
 - c) to reduce the balance of the Special Account (and, therefore, the available appropriation for the Special Account) without making a real or notional payment
 - d) to repay amounts where an Act or other law requires or permits the repayment of an amount received.

This special account determination is scheduled to be revoked by 31 December 2016.

5. Appropriation: Financial Management and Accountability Act 1997 section 20
 Establishing Instrument: Financial Management and Accountability (Special Accounts) Determination 2005/03
 Purpose:
 - a) loans for relief, rehabilitation and reconstruction assistance to areas in the Republic of Indonesia directly affected by the Tsunami and economic and social development assistance to all areas of the Republic of Indonesia
 - b) activities that are incidental to and directly related to a purpose mentioned in paragraph (a)
 - c) to reduce the balance of the Special Account (and, therefore, the available appropriation for that Account) without making a real or notional payment
 - d) to repay amounts where an Act or other law required or permits the repayment of an amount received.
 - e) to credit amounts to the Australian-Indonesia Partnership for Reconstruction and Development (Loans) Special Account 2015.

This special account sunsetted on 1 April 2015 and was replaced with the below special account established under the PGPA Act.

6. Appropriation: Public Governance, Performance and Accountability Act 2013 section 78
 Establishing Instrument: PGPA Act (Australia-Indonesia Partnership for Reconstruction and Development (Loans) Special Account 2015 - Establishment) Determination 2015/01
 Purpose:
 - a) loans for relief, rehabilitation and reconstruction assistance to areas in the Republic of Indonesia directly affected by the 2004 Tsunami through one or more of the activities specified in subsection 8(2)
 - b) loans for economic and social development assistance in all areas of the Republic of Indonesia through one or more of the activities specified in subsection 8(2)
 - c) activities that are incidental to and directly related to a purpose mentioned in paragraph (a) or (b)
 - d) to reduce the balance of the Special Account (and, therefore, the available appropriation for the special account) without making a real or notional payment
 - e) to repay amounts where an Act or other law required or permits the repayment of an amount received.

This special account is scheduled to be revoked by 31 December 2016.



Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 25: Special Accounts (continued)

7. Appropriation: Financial Management and Accountability Act 1997 section 20

Establishing Instrument: Financial Management and Accountability (Special Accounts) Determination 2009/25

Purpose:

- a) disburse amounts held in trust or otherwise for the benefit of a person other than the Commonwealth
- b) disburse amounts in connection with services performed on behalf of other governments and bodies that are not FMA agencies
- c) repay amounts where an Act or other law requires or permits the repayment of an amount received
- d) reduce the balance of the Special Account (and, therefore, the available appropriation for the Account) without making a real or notional payment.

8. Appropriation: Financial Management and Accountability Act 1997 section 20

Establishing Instrument: Financial Management and Accountability (Special Accounts) Determination 2011/05

Purpose:

- a) disburse amounts held in trust or otherwise for the benefit of a person other than the Commonwealth
- b) disburse amounts in connection with services performed on behalf of other governments and bodies that are not FMA agencies
- c) repay amounts where an Act or other law requires or permits the repayment of an amount received
- d) reduce the balance of the Special Account (and, therefore, the available appropriation for the Account) without making a real or notional payment.

This account ceased on 1 July 2014 under the Public Governance, Performance and Accountability (Consequential and Transitional Provision) Act 2014.

9. Appropriation: Financial Management and Accountability Act 1997 section 20

Establishing Instrument: Financial Management and Accountability (Special Accounts) Determination 2002/01 and variation 2006/36

Purpose:

- a) acquire, lease, construct, manage, operate, repair, maintain, divest, finance, identify or advise on, and undertake any other activities in relation to, the real property of the Commonwealth outside Australia
- b) return dividends or net proceeds from the sale of an asset to the Budget as agreed between the Finance Minister and the responsible minister
- c) carry out activities that are incidental to a purpose mentioned in paragraph (a)
- d) reduce the balance of the Special Account (and, therefore, the available appropriation for the Account) without making a real or notional payment
- e) repay amounts where an Act or other law requires or permits the repayment of an amount received.

The above determinations that were originally made under subsection 20(1) of the Financial Management and Accountability Act 1997 are taken from 1 July 2014 to have been made under subsection 78(1) of the Public Governance, Performance and Accountability Act 2013.

Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 26: Reporting of Outcomes

	Outcome 1		Outcome 2		Outcome 3		Payments to corporate Commonwealth entities		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental expenses:										
Employee benefits	555,536	537,609	123,385	102,709	102,812	84,934	-	-	781,733	725,252
Supplier	357,336	292,945	205,642	195,214	137,863	148,272	-	-	700,841	636,431
Depreciation and amortisation	109,460	77,237	-	4,991	38,218	65,262	-	-	147,678	147,490
Other expenses	15,911	26,228	-	-	623	-	-	-	16,534	26,228
Total Departmental expenses	1,038,243	934,019	329,027	302,914	279,516	298,468	-	-	1,646,786	1,535,401
Departmental own-source income:										
Sale of goods and rendering of services	87,038	55,489	-	-	36,818	49,464	-	-	123,856	104,953
Other revenue and gains	11,526	19,315	-	-	1,328	257	-	-	12,854	19,572
Total Departmental own-source income	98,564	74,804	-	-	38,146	49,721	-	-	136,710	124,525
Administered expenses										
International development assistance	3,116,868	4,123,826	-	-	-	-	-	-	3,116,868	4,123,826
Multilateral replenishments and other loans	110,837	126,550	-	-	-	-	-	-	110,837	126,550
Other contributions	425,431	361,937	-	-	-	-	-	-	425,431	361,937
Effic, depreciation, amortisation and other expenses	29,722	45,969	795	1,024	-	-	-	-	30,517	46,993
Payments to corporate Commonwealth entities	-	-	-	-	-	-	144,018	138,865	144,018	138,865
Total Administered expenses	3,682,858	4,658,282	795	1,024	-	-	144,018	138,865	3,827,671	4,798,171
Administered income										
Fees and Charges	736	484	464,356	402,074	-	-	-	-	465,092	402,558
Multilateral replenishments and other loans	55,295	392,696	-	-	-	-	-	-	55,295	392,696
Return of prior year administered expenses	34,954	33,099	-	-	-	-	-	-	34,954	33,099
Effic dividends and NIA	49,340	51,029	-	-	-	-	-	-	49,340	51,029
Other revenue and gains	6,433	8,881	-	-	-	-	-	-	6,433	8,881
Total Administered income	146,758	486,189	464,356	402,074	-	-	-	-	611,114	888,263
Net (cost)/contribution of outcome delivery	(4,475,779)	(5,031,308)	134,534	98,136	(241,370)	(248,747)	(144,018)	(138,865)	(4,726,633)	(5,320,784)



Department of Foreign Affairs and Trade
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 26: Reporting of Outcomes (continued)

	Outcome 1		Outcome 2		Outcome 3		Payments to corporate Commonwealth entities		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Departmental assets:										
Cash and cash equivalents	55,267	83,185	-	-	2,028	1,371	-	-	57,295	84,556
Trade and other receivables	642,485	508,051	-	-	158,604	247,127	-	-	801,089	755,178
Land and buildings and assets held for sale	302,900	204,577	-	1,121	2,842,418	2,678,605	-	-	3,145,318	2,884,303
Property, plant and equipment and intangibles	369,337	53,851	-	47,591	704	196,637	-	-	370,041	298,079
Inventories	-	74	-	39,372	-	195	-	-	47,586	39,641
Other non-financial assets	77,575	61,353	-	-	16,864	23,857	-	-	94,439	85,210
Total Departmental assets	1,447,564	911,091	47,586	88,084	3,020,618	3,147,792	-	-	4,515,768	4,146,967
Departmental liabilities:										
Suppliers	104,498	89,049	-	-	13,426	32,423	-	-	117,924	121,472
Other payables	27,857	33,875	-	-	32,954	28,593	-	-	60,811	62,468
Employee provisions	225,379	210,927	-	-	2,089	1,555	-	-	227,468	212,482
Other provisions	18,763	22,422	-	-	-	-	-	-	18,763	22,422
Total Departmental liabilities	376,497	356,273	-	-	48,469	62,571	-	-	424,966	418,844
Administered assets										
Cash and cash equivalents	257	1,832	-	-	-	-	-	-	257	1,832
Trade and other receivables	183,038	173,103	2,474	2,530	-	-	-	-	185,512	175,633
Investments	2,451,526	2,392,373	-	-	-	-	-	-	2,451,526	2,392,373
Non-financial assets	4,734	6,416	-	-	-	-	-	-	4,734	6,416
Total Administered assets	2,639,555	2,573,724	2,474	2,530	-	-	-	-	2,642,029	2,576,254
Administered liabilities										
Grants payable	509,767	590,449	-	-	-	-	-	-	509,767	590,449
Other payables	965,376	1,051,380	-	20,638	-	-	-	-	965,376	1,072,018
Employee provisions	89,711	80,749	-	-	-	-	-	-	89,711	80,749
Total Administered liabilities	1,564,854	1,722,578	-	20,638	-	-	-	-	1,564,854	1,743,216

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 27: Budgetary Reporting - Explanation of Major Variances

Note 27A: Explanation of Major Departmental Variances

The main variance for DFAT in 2015-16 between the original estimates published in the 2015-16 Portfolio Budget Statements (PBS) and the actual results was the increase in employee benefits expenses reported in the Statement of Comprehensive Income (7.1%), with matching impacts on employees operating cash used reported in the Cash Flow Statement (7.3%). The increase was due to number of factors including:

- the impacts of the Enterprise Agreement payrise for APS staff in December 2015,
- increased superannuation contribution rates to the CSS and PSS superannuation funds,
- increases in the valuation of long-term employee leave provisions resulting from decreases in Government bond rates (which also resulted in an increase in the balance of employee provisions reported in the Statement of Financial Position),
- increased costs of locally engaged staff overseas in line with the devaluation of the Australian dollar, and
- increased FBT expenses due to increased living away from home allowances and accommodation payments for staff posted overseas, which were similarly affected by the devaluation of the Australian dollar.

DFAT has in place a strong budget management and reporting framework. Following the emergence of the above factors, and identification of a likely increase in full year expenses, the re-allocation of funding between expense categories was taken to ensure DFAT finished the year within the total funding allocation.

Revenue from Government reported in the Statement of Comprehensive Income was higher than originally estimated (2.5%) primarily due to no-win/no-loss (NWNL) agreements for foreign exchange and living away from home allowance movements, along with a variable funding agreement for passport applications processed. As a result of the devaluation of the Australian dollar versus budgeted exchange rates, more passport issues than estimated (over 88,000 more) and a minor adjustment for increased living away from home allowance expenses, DFAT recorded \$30.9m of additional accrued appropriation revenue. The cash appropriation for this is expected to be received by DFAT as part of 2016-17 Additional Estimates.

Estimated own-source revenues reported in the Statement of Comprehensive Income (23.7% above estimates) and operating cash receipts for sale of goods and rendering of services reported in the Cash Flow Statement (10.0% above estimates) were based on 2014-15 actuals, which were similar to previous years. In 2015-16, DFAT experienced increased rental revenues received by the Overseas Property Special Account and increased service level agreement fees and other cost recoveries from attached Australian Government agencies that DFAT provides services to at posts overseas. These were in part driven by the devaluation of the Australian dollar, where rents are based on the local market or where DFAT was cost recovering for administration expenses incurred in foreign currencies, along with increases in the number of attached agency staff supported. This also contributed to increased suppliers expenses reported in the Statement of Comprehensive Income (2.6%).

There is also a flow on impact of the above movements in revenues and expenses to the deficit for the current financial year reported in the Statement of Comprehensive Income and Statement of Changes in Equity.

There are a number of items that are not incorporated into PBS estimates due to the unpredictable, uncontrollable and/or unplanned nature of the transactions and adjustments. This includes:

- the write-down and impairment of assets reported in the Statement of Comprehensive Income,
- gains or losses from foreign exchange differences reported in the Statement of Comprehensive Income and Cash Flow Statement,
- proceeds and gains or losses from the sale of assets reported in the Statement of Comprehensive Income and Cash Flow Statement, and
- accounting adjustments for DFAT's provision for the future makegood of leasehold improvements in leased properties reported in the Statement of Comprehensive Income and Statement of Changes in Equity.

Additionally, DFAT does not estimate or factor in revaluation adjustments for land and buildings and property, plant and equipment assets into the PBS as these movements are beyond DFAT's control and are difficult to predict. This impacts other comprehensive income reported in the Statement of Comprehensive Income and Statement of Changes in Equity and non-financial asset balances reported in the Statement of Financial Position.



Department of Foreign Affairs and Trade**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

The estimate for depreciation and amortisation expenses in the Statement of Comprehensive Income was not updated at the time of the PBS to reflect increases in the net book value of DFAT's land and buildings and property, plant and equipment assets (25.6%). This was subsequently updated in the 2015-16 Additional Estimates, with differences between this estimate and actual depreciation and amortisation impacting non-financial asset balances reported in the Statement of Financial Position, which were further impacted by write-downs and impairments of assets and the impact of the normal review and update of useful life estimates on accumulated depreciation.

Other material variances between actual figures reported in the Statement of Financial Position and the PBS estimates include:

- › cash and cash equivalents, which decreased (22.3%) as the estimates were based on previous years and the 30 June 2016 balance did not include cash at bank in anticipation of the regular fortnightly payroll, with the last payroll in 2015-16 disbursed on Thursday 30 June,
- › inventories, with increases (68%) due to bringing stock on hand of the new P series passports up to the levels required for business continuity purposes, and
- › other payables, with the estimated reduction in unearned income not eventuating and DFAT maintaining a similar balance to the previous year (68.0%), largely due to prepayments received from tenants of properties held by the Overseas Property Special Account.

The Cash Flow Statement also includes variances for items that are not included in PBS estimates. This includes no estimates for section 74 receipts transferred to the Official Public Account (OPA) and subsequently re-drawn as appropriations, estimated cash transfers to and from the OPA for the Overseas Property Special Account, and GST payments to suppliers and subsequent refunds received from the Australian Taxation Office. In addition, estimated cash flows for asset purchases included amounts that represented the completion of work in progress assets and transfer of the balance to a depreciating asset, with a proportion of the cash flows actually occurring in prior years.

Department of Foreign Affairs and Trade

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 27B: Explanation of Major Administered Variances

There were lower than expected returns of prior year administered expenses reported in the Administered Schedule of Comprehensive Income (33.3%), which relate to unspent monies from funding arrangements. The PBS estimate was based on historical trends and forecast movements in future years, with levels in 2015-16 lower than in previous years.

The 2015-16 actual cash on hand or on deposit balance reported in the Administered Schedule of Assets and Liabilities is lower than estimated (98.4%) as the original 2015-16 estimate was based on the 2013-14 balance, which included late receipts that weren't transferred back to the Official Public Account (OPA) prior to 30 June. Similar events did not re-occur in 2014-15 or 2015-16. There are a number of items that are not incorporated into the estimates published in the PBS, due to the unpredictable, uncontrollable and/or unplanned nature of the transactions and adjustments. This includes the other expenses, other revenue and gains, and Efic NIA income line items in the Administered Schedule of Comprehensive Income, with only Efic dividends and interest income included in estimates.

Additionally, DFAT does not estimate or factor in adjustments for re-measurement of the net liability for defined benefit pension schemes, revaluation of land and buildings and property, plant and equipment assets or movements in the carrying amount of investments, reported in the Administered Schedule of Assets and Liabilities, into the PBS estimates. Similar to above, this is because the main factors that drive these movements are beyond DFAT's control, such as movements due to changes in the value of the Australian Dollar on currency markets.

Note the estimate for the balance of employee provisions reported in the Administered Schedule of Assets and Liabilities did not include the net liability for defined benefit pension schemes, which was valued at \$71.9m at 30 June 2015, and \$80.0m at 30 June 2016 (including valuation adjustments and other movements during 2015-16). This was included in other payables.

The timing of the preparation of estimates included in the PBS can also result in variances to actual results. PBS estimates are prepared in order to be included as part of the Federal Budget, and are based on the current financial year estimates plus adjustments - prior to the finalisation of actual balances for that financial year. Significant movements and adjustments that occur late in a financial year are not able to be incorporated into the estimates which are usually finalised in late April.

The impacts of the timing differences is most pronounced for investments administered on behalf of Government reported in the Administered Schedule of Assets and Liabilities (23.4% above estimates), in particular non-monetary 'available for sale' IDA and ADF subscriptions financial instruments. In 2014-15, valuation adjustments of \$382.2m were included in the administered financial statements, but were not factored into the PBS estimates. 2015-16 valuation adjustments resulted in a further \$53.0m increase in the value of the financial instruments. These balances were updated in the 2015-16 Additional Estimates, and actual balances for 2015-16 are close to the updated estimates. The remaining movements are due to movements in the carrying amount of other administered investments, which are recorded through other comprehensive income and reported in the Administered Schedule of Comprehensive Income and Administered Reconciliation Schedule.

Included in the estimated balance for trade and other receivables reported in the Administered Schedule of Assets and Liabilities (91.3% above estimates) are amounts appropriated for multilateral agreements which are drawdown in line with the agreed encashment schedules. As these are administered on behalf of Government the appropriations not yet drawdown are not recorded as receivables in DFAT's financial statements in accordance with accounting standards, but due to the substantial value they are included in the budget estimates. Cash amounts drawdown and paid are included in the estimates as reductions in this appropriation receivable, with the remaining differences due to unwinding and valuation adjustments which are not estimated in the Schedule of Administered Comprehensive Income either.

