

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

4. Assets and Liabilities Administered on Behalf of Government

4.1 Administered - Financial Assets

	2017 \$'000	2016 \$'000
Note 4.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	1,003	257
Cash held at OPA	11,159	25,426
Total cash and cash equivalents	12,162	25,683
Note 4.1B: Trade and Other Receivables		
Goods and services receivable	1,987	5,066
Total goods and services receivable	1,987	5,066
Advances and loans		
Concessional loan receivable - AIPRD	153,438	145,338
Other - travellers emergency loans	1,290	1,330
Total advances and loans	154,728	146,668
Other receivables		
Statutory receivables	14,811	10,942
Net position of Efic - NIA	12,015	11,635
Passport fees, passport act fines and consular fees	2,090	1,711
Other	1,488	10,493
Total other receivables	30,404	34,781
Total trade and other receivables (gross)	187,119	186,515
Less impairment allowance		
Advances and loans - travellers emergency loans	(691)	(529)
Other receivables - passport act fines	(35)	(38)
Other receivables - external parties	(1,088)	(436)
Total impairment allowance account	(1,814)	(1,003)
Total trade and other receivables (net)	185,305	185,512
Trade and other receivables (gross) aged as follows		
Not overdue	184,947	181,536
Overdue by		
0 to 30 days	274	2,099
31 to 60 days	10	3
61 to 90 days	11	6
More than 90 days	1,877	2,871
Total trade and other receivables (gross)	187,119	186,515

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

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Reconciliation of the impairment allowance account

Movements in relation to 2017

	Advances and loans \$'000	Receivables - passports \$'000	Receivables - external parties \$'000	Total \$'000
Opening balance	529	38	436	1,003
Amounts impaired	162	-	652	814
(Decrease) recognised in net surplus	-	(3)	-	(3)
Closing balance	691	35	1,088	1,814

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

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.

Efic – 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.
- a) 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 \$75m 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 \$37.5m in the Global Fund to fight AIDS, Tuberculosis and Malaria for approved tuberculosis programs. The expense recognised in Note 2.1D: Efic 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.

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	2017 \$'000	2016 \$'000
<u>Note 4.1C: Other Investments</u>		
Non-monetary 'available for sale' IDA and ADF Subscriptions - fair value	1,896,013	1,986,684
Efic - commercial account	451,185	444,793
Tourism Australia	20,170	20,049
Total other investments	2,367,368	2,451,526

Accounting Policy

Administered investments are classified as available-for-sale and are measured at their fair value as at 30 June 2017. 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 IDA and the ADF.

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 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. 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.