

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

7.3 Financial Instruments

		2017 \$'000	2016 \$'000
Note 7.3A: Categories of Financial Instruments			
Financial assets			
Loans and receivables			
Cash and cash equivalents	3.1A	178,403	161,184
Goods and services receivable (gross)	3.1B	40,543	86,436
Advances receivable	3.1B	14,026	14,625
Cash held by outsiders	3.1B	203	647
Other receivables	3.1B	1,594	1,668
Total loans and receivables		234,769	264,560
Total financial assets		234,769	264,560
Financial liabilities			
Financial liabilities measured at amortised cost			
Trade creditors and accruals	3.3A	137,439	117,924
Other payables	3.3B	412	278
Total financial liabilities measured at amortised cost		137,851	118,202
Total financial liabilities		137,851	118,202

Accounting policy

Accounting policies for financial assets can be found in Note 3.1: Financial Assets. Accounting policies for financial liabilities can be found in Note: 3.3 Payables.

Note 7.3B: Net Gains or Losses on Financial Assets

Loans and receivables			
Foreign exchange (loss)		(5,266)	(3,849)
Write-down of financial assets	1.1C	(89)	(29)
Movement in impairment allowance	1.1C	33	10
Net (loss) on loans and receivables		(5,322)	(3,868)
Net (loss) on financial assets		(5,322)	(3,868)

Note 7.3C: Net Gains or Losses on Financial Liabilities

Financial liabilities measured at amortised cost			
Foreign exchange gains		5,277	4,407
Net gains on financial liabilities measured at amortised cost		5,277	4,407
Net gains on financial liabilities		5,277	4,407

Note 7.3D: Fair Value of Financial Instruments

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

Note 7.3E: 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 maturity within the next 12 months. The department had no derivative financial liabilities in either 2017 or 2016.

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Note 7.3F: 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 the department. The department is exposed to minimal credit risk as cash and cash equivalents, goods and services receivable and other receivables comprise all loans and receivables. The maximum exposure the department 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.

The department has assessed the risk of default on payment and has allocated nil (2016: \$0.03m) to an impairment allowance for doubtful debts account. The department 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 2017 \$'000	Not past due nor impaired 2016 \$'000	Past due or impaired 2017 \$'000	Past due or impaired 2016 \$'000
Cash and cash equivalents	178,403	161,184	-	-
Goods and services receivable	39,237	84,327	1,306	2,109
Advances receivable	14,026	14,625	-	-
Cash held by outsiders	203	647	-	-
Other receivables	1,009	957	585	711
Total	232,878	261,740	1,891	2,820

Ageing of financial assets that were past due but not impaired for 2017	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Not impaired					
Goods and services receivables	774	73	49	410	1,306
Other receivables	-	32	19	534	585
Total	774	105	68	944	1,891

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					
Goods and services receivables	73	78	889	1,069	2,109
Other receivables	96	42	23	517	678
Total	169	120	912	1,586	2,787

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Note 7.3G: 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 2017 from a 10.2% (2016: 10.5%) 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 2017						
	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	68,570	10.2%	(6,994)	(6,994)	6,994	6,994
Goods and services receivable	2,392	10.2%	(244)	(244)	244	244
Advances receivable	12,391	10.2%	(1,264)	(1,264)	1,264	1,264
Other receivables	1,204	10.2%	(123)	(123)	123	123
Trade creditors	(15,856)	10.2%	1,617	1,617	(1,617)	(1,617)

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)

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.