

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

7.5 Administered - Financial Instruments

	2017 \$'000	2016 \$'000
Note 7.5A: Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	12,162	25,683
Loans and receivables		
Goods and services receivables	2,387	15,123
Concessional loan receivable	153,438	145,338
Net position of Efic - NIA	12,015	11,635
Traveller Emergency Loans	599	801
Total loans and receivables	168,439	172,897
Available-for-sale financial assets		
Non-monetary available for sale debt instrument - fair value	1,896,013	1,986,684
Efic - Commercial Account	451,185	444,793
Tourism Australia	20,170	20,049
Total available for sale	2,367,368	2,451,526
Total financial assets	2,547,969	2,650,106
Financial Liabilities		
Financial liabilities measured at amortised cost		
International development assistance and other payables	233,857	204,112
Total financial liabilities measured at amortised cost	233,857	204,112
Financial liabilities at fair value through profit or loss		
Multilateral grants payable	1,071,059	509,767
Multilateral contributions payable	893,229	741,041
Total financial liabilities at fair value through profit or loss	1,964,288	1,250,808
Total financial liabilities	2,198,145	1,454,920

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

	2017 \$'000	2016 \$'000
Note 7.5B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	13,424	13,953
Concessional costs for AIPRD loans	-	(7,188)
Impairment	(814)	(263)
Write-off	(1,242)	(186)
Net gain on loans and receivables	11,368	6,316
Available-for-sale financial assets		
Dividend revenue	5,770	13,654
Competitive neutrality revenue	7,054	-
Gains recognised in profit or loss for reversal of impairment	-	43,990
Revaluation gain recognised in equity	6,513	8,540
Net gain on available for sale financial assets	19,337	66,184
Net gain on financial assets	30,705	72,500
Note 7.5C: Net Gains or Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
Exchange gains	3,262	532
Net gain on financial liabilities measured at amortised cost	3,262	532
Financial liabilities at fair value through profit or loss (held for trading)		
Unwinding of discount	(23,988)	(45,314)
Loss on remeasuring at fair value through profit or loss	(400,792)	(58,335)
Net (loss) on financial liabilities at fair value through profit or loss (held for trading)	(424,780)	(103,649)
Net (loss) on financial liabilities	(421,518)	(103,117)

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

Note 7.5D: Fair Value of Financial Instruments

	Carrying amount 2017 \$'000	Fair value 2017 \$'000	Carrying amount 2016 \$'000	Fair value 2016 \$'000
Financial Assets				
Cash and cash equivalents	12,162	12,162	25,683	25,683
Receivables for goods and services	2,387	2,387	15,123	15,123
Concessional loans receivable	153,438	153,438	145,338	145,338
Net position of Efic - NIA	12,015	12,015	11,635	11,635
Traveller emergency loans	599	599	801	801
Investments - available for sale	1,896,013	1,896,013	1,986,684	1,986,684
Investments - Efic	451,185	451,185	444,793	444,793
Investments - Tourism Australia	20,170	20,170	20,049	20,049
Total financial assets	2,547,969	2,547,969	2,650,106	2,650,106
Financial liabilities				
Trade creditors	233,857	233,857	204,112	204,112
Grants payable - at fair value through profit or loss	1,071,059	1,071,059	509,767	509,767
Multilateral contributions payable IDA / ADF at fair value through profit or loss	893,229	893,229	741,041	741,041
Total financial liabilities	2,198,145	2,198,145	1,454,920	1,454,920

Fair value measurements categorised by fair value hierarchy

The table at Note 7.4A: Fair Value Measurements, Valuation Techniques and Inputs Used 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 7.5E: Credit Risk

Recognised in the DFAT Administered Accounts

DFAT'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 DFAT. DFAT 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 DFAT 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.

DFAT has assessed the risk of default on payment and has allocated \$1,814 (2016: \$1,003) to an impairment allowance for doubtful debts account. DFAT has no collateral to mitigate against credit risk.

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

	2017 \$'000	2016 \$'000
Credit quality of financial instruments not past due or individually determined as impaired		
Loans and receivables	170,494	174,570
Available for sale	2,367,368	2,451,526
Total credit quality of financial instruments not past due or individually determined as impaired	2,537,862	2,626,096
Credit quality of financial liabilities not past due or individually determined as impaired		
At amortised cost	233,857	204,112
Through profit or loss	1,964,288	1,250,808
Total credit quality of financial liabilities not past due or individually determined as impaired	2,198,145	1,454,920

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

	Not past due or impaired 2017 \$'000	Not past due or impaired 2016 \$'000	Past due or impaired 2017 \$'000	Past due or impaired 2016 \$'000
Loans and receivables	168,322	169,591	2,172	4,979
Available for sale	2,367,368	2,451,526	-	-
Total	2,535,690	2,621,117	2,172	4,979

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

Note 7.5E: Credit Risk (continued)

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					
Loans and receivables	274	10	11	63	358
Total	274	10	11	63	358

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

Note 7.5F: Liquidity Risk

The continued existence of DFAT in its present form and with its present programs is dependent on government policy and on continuing appropriations by Parliament for DFAT'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 2017

	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	-	233,857	-	-	-	233,857
Financial liabilities at fair value through profit or loss	-	313,719	282,042	834,503	534,023	1,964,287
Total	-	547,576	282,042	834,503	534,023	2,198,144

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	-	204,112	-	-	-	204,112
Financial liabilities at fair value through profit or loss	-	341,395	230,450	511,063	167,900	1,250,808
Total	-	545,507	230,450	511,063	167,900	1,454,920

DFAT 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 7.5G: 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 DFAT's administered income and expenses.

The following table illustrates the effect on DFAT's administered net income less expenses and equity as at 30 June 2017 from 10.2% (2016: 10.5%) increase or decrease against the AUD in the currencies in which the financial instruments were administered by DFAT with all other variables held constant.

Sensitivity analysis of the risk that the entity is exposed to for 2017

			Effect on	
			Profit and loss	Equity
		%	\$'000	\$'000
Currency risk	\$/USD	+ 10.2%	(175,493)	(175,493)
Currency risk	\$/USD	- 10.2%	215,360	215,360
Interest rate risk	*	+ 0.3%	(20,902)	(20,902)
Interest rate risk	*	- 0.3%	14,263	14,263

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

			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

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