

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

7.4 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 7.2: 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 7.4A: 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	
	2018 \$'000	2017 \$'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	2,291,000	1,896,013	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 and Insurance Corporation's Commercial Account	444,964	451,185	3	Net asset position	Balance sheet of the Export Finance and Insurance Corporation's Commercial Account
Tourism Australia	20,200	20,170	3	Net asset position	Balance sheet of Tourism Australia
Total financial assets	2,756,164	2,367,368			
Non-financial assets:					
Leasehold Improvements	-	81	3	Depreciated replacement cost	Replacement cost Consumed economic benefits and obsolescence
Plant and Equipment	19	27	2	Market approach	Adjusted market transactions
Total non-financial assets	19	108			
Total fair value measurements of assets in the administered schedule of assets and liabilities	2,756,183	2,367,476			

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

Note 7.4A: 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	
	2018 \$'000	2017 \$'000	Level (1, 2 or 3)	Valuation technique(s) ¹	Inputs used ²
Financial liabilities:					
Multilateral grants	980,661	1,071,059	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	702,157	893,229	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	1,682,818	1,964,288			
Total fair value measurements of liabilities in the administered schedule of assets and liabilities	1,682,818	1,964,288			

There have been no transfers between levels during the year (2017: nil). DFAT's policy for determining when transfers between levels are deemed to have occurred can be found in Note 7.2: Fair Value Measurements.

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

DFAT'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.

The future economic benefits of DFAT'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 7.4B: 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
	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000
Opening balance - 1 July 2017	2,367,368	2,367,368	81	81
Total gains / (losses) recognised in net cost of services ¹	394,987	394,987	(81)	(81)
Total (losses) recognised in other comprehensive income ²	(6,191)	(6,191)	-	-
Closing balance - 30 June 2018	2,756,164	2,756,164	-	-
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
	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000
Opening balance - 1 July 2016	2,451,526	2,451,526	62	62
Total (losses) recognised in net cost of services ¹	(90,671)	(90,671)	(489)	(489)
Total gains recognised in other comprehensive income ²	6,513	6,513	508	508
Closing balance - 30 June 2017	2,367,368	2,367,368	81	81
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 7.4B: Reconciliation for recurring Level 3 fair value measurements (continued)

Recurring Level 3 fair value measurements - reconciliation for liabilities

	Financial Liabilities		
	Multilateral grants	Multilateral contributions payable	Total
	2018	2018	2018
	\$'000	\$'000	\$'000
Opening balance - 1 July 2017	1,071,059	893,229	1,964,288
Total gains recognised in net cost of services ⁴	49,435	56,492	105,927
Settlements	(139,833)	(247,564)	(387,397)
Closing balance - 30 June 2018	980,661	702,157	1,682,818
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	Multilateral contributions payable	Total
	2017	2017	2017
	\$'000	\$'000	\$'000
Opening balance - 1 July 2016	509,767	741,041	1,250,808
Total gains recognised in net cost of services ⁴	687,553	427,536	1,115,089
Settlements	(126,261)	(275,348)	(401,609)
Closing balance - 30 June 2017	1,071,059	893,229	1,964,288
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 Note 2.1B: Multilateral Replenishments and Other Loans, Note 2.2B: Multilateral Replenishments and Other Loans and Note 2.1E: Other Expenses.

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 2018 and 30 June 2017.

4. These gains / (losses) are represented in the Administered Schedule of Comprehensive Income and in Note 2.1B: Multilateral Replenishments and Other Loans.