

**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			Valuation technique(s) ¹	For Levels 2 and 3 fair value measurements Inputs used ²
	2019 \$'000	2018 \$'000	Level (1, 2 or 3)		
Financial assets:					
Other investments:					
Non-monetary available-for-sale IDA and ADF subscriptions	-	2,291,000	3	Discounted cash flow method	A discounted rate range using 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 to discount the expected loan principal repayments of the loan portfolio of IDA and ADF.
Non-monetary IDA and ADF subscriptions at FVOCI	2,445,947	-	3	Discounted cash flow method	A discounted rate range using 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 to discount the expected loan principal repayments of the loan portfolio of IDA and ADF.
Investment in Efic's Commercial Account	539,300	444,964	3	Net asset position	Balance sheet of Export Finance and Insurance Corporation's Commercial Account.
Tourism Australia	20,991	20,200	3	Net asset position	Balance sheet of Tourism Australia.
Total financial assets	3,006,238	2,756,164			
Non-financial assets:					
Plant and Equipment	-	19	2	Market approach	Adjusted market transactions
Total non-financial assets	-	19			
Total fair value measurements of assets in the administered schedule of assets and liabilities	3,006,238	2,756,183			

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Note 7.4A: Fair Value Measurements, Valuation Techniques and Inputs Used (continued)

	Fair value measurements at the end of the reporting period using		Level (1, 2 or 3)	Valuation technique(s) ¹	For Levels 2 and 3 fair value measurements	
	2019 \$'000	2018 \$'000			Inputs used ²	
Financial liabilities:						
Multilateral grants	930,179	1,110,323	3	Discounted cash flow method	A 10 year Australian government bond rate is used to discount the expected payment schedules of each loan agreement.	
Multilateral contributions payable	494,521	572,495	3	Discounted cash flow method	A 10 year Australian government bond rate and a discounted rate range (comprising a risk free rate (20 year US government bond rate), and currency, sovereign and liquidity risk premium) is used to discount the expected payment schedules of each loan agreement.	
Total financial liabilities	1,424,700					
Total fair value measurements of liabilities in the administered schedule of assets and liabilities	1,424,700					

There have been no transfers between levels during the year (2018: 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.

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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	
	Investments 2019 \$'000	Total 2019 \$'000	Leasehold improvements 2019 \$'000	Total 2019 \$'000
Opening balance - 1 July 2018	2,756,164	2,756,164	-	-
Total gains / (losses) recognised in net cost of services ¹	-	-	-	-
Total (losses) recognised in other comprehensive income ²	250,074	250,074	-	-
Closing balance - 30 June 2019	3,006,238	3,006,238	-	-
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	
	Investments 2018 \$'000	Total 2018 \$'000	Leasehold improvements 2018 \$'000	Total 2018 \$'000
Opening balance - 1 July 2017	2,367,368	2,367,368	81	81
Total (losses) recognised in net cost of services ¹	394,987	394,987	(81)	(81)
Total gains 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	-	-	-	-

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<u>Note 7.4B: Reconciliation for recurring Level 3 fair value measurements (continued)</u>		
Recurring Level 3 fair value measurements - reconciliation for liabilities	Financial Liabilities	
	Multilateral contributions payable	Total 2019 \$'000
	2019 \$'000	2019 \$'000
Opening balance - 1 July 2018	980,661	1,682,818
Total gains / (losses) recognised in net cost of services ⁴	311,916	258,793
Settlements	(362,398)	(516,911)
Closing balance - 30 June 2019	930,179	1,424,700
Changes in unrealised gains / (losses) recognised in net cost of services for assets held at the end of the reporting period ³	-	-
	Financial Liabilities	Total 2018 \$'000
	Multilateral contributions payable	2018 \$'000
	2018 \$'000	2018 \$'000
Opening balance - 1 July 2017	1,071,059	1,964,288
Total gains recognised in net cost of services ⁴	49,435	105,927
Settlements	(139,833)	(387,397)
Closing balance - 30 June 2018	980,661	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	-	-

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 2019 and 30 June 2018.

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

The comparative figures have not been updated in line with Note 4.3A: Grants and Note 4.3B: Other payables as the impacts of the movement have been incorporated in the current year.