

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

7.5 Administered - Financial Instruments

	2019	2018
	\$'000	\$'000
Note 7.5A: Categories of Financial Instruments		
Financial Assets under AASB 139		
Loans and receivables		
Cash and cash equivalents		1,005
Goods and services receivables		24
Concessional loan receivable		156,142
Net position of Efic - NIA		13,394
Traveller Emergency Loans		564
Total loans and receivables		171,129
Available-for-sale financial assets		
Non-monetary available for sale debt instrument - fair value		2,291,000
Efic - Commercial Account		444,964
Tourism Australia		20,200
Total available-for-sale		2,756,164
Financial Assets under AASB 9		
Financial assets at amortised cost		
Cash and cash equivalents	41,796	
Goods and services receivables	6	
Concessional loan receivable	159,088	
Net position of Efic - NIA	15,120	
Traveller Emergency Loans	543	
Total financial assets at amortised cost	216,553	
Financial assets at fair value through other comprehensive income (FVOCI)		
Non-monetary equity instrument - fair value	2,445,947	
Efic - Commercial Account	539,300	
Tourism Australia	20,991	
Total financial assets at fair value through other comprehensive income	3,006,238	
Total financial assets	3,222,791	2,927,293
Financial Liabilities		
Financial liabilities measured at amortised cost		
International development assistance and other payables	136,599	187,438
Total financial liabilities measured at amortised cost	136,599	187,438
Financial liabilities at fair value through profit or loss		
Multilateral grants payable	930,179	1,110,323
Multilateral contributions payable	494,521	572,495
Total financial liabilities at fair value through profit or loss	1,424,700	1,682,818
Total financial liabilities	1,561,299	1,870,256

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Note 7.5A: Categories of Financial Instruments (continued)

Classification of financial assets on the date of initial application of AASB 9

Financial assets class	Notes	AASB 139 original classification	AASB 9 new classification	AASB 139 carrying amount at 1 July 2018 \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Cash and cash equivalents		Loans and receivable	Amortised cost	1,005	1,005
Goods and services receivables		Loans and receivable	Amortised cost	24	24
Concessional loan receivable		Loans and receivable	Amortised cost	156,142	156,142
Net position of Efic - NIA		Loans and receivable	Amortised cost	13,394	13,394
Traveller Emergency Loans		Loans and receivable	Amortised cost	564	564
Non-monetary instrument - fair value		Available-for-sale financial assets - Debt instrument	FVOCI - Equity instrument	2,291,000	2,291,000
Efic - Commercial Account		Available-for-sale financial assets	FVOCI	444,964	444,964
Tourism Australia		Available-for-sale financial assets	FVOCI	20,200	20,200
Total financial assets				2,927,293	2,927,293

Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9

	AASB 139 carrying amount at 1 July 2018 \$'000	Reclassification \$'000	Re-measurement \$'000	AASB 9 carrying amount at 1 July 2018 \$'000
Financial assets at amortised cost				
Loans and receivable				
Cash and cash equivalents	1,005	-	-	1,005
Goods and services receivables	24	-	-	24
Concessional loan receivable	156,142	-	-	156,142
Net position of Efic - NIA	13,394	-	-	13,394
Traveller Emergency Loans	564	-	-	564
Total amortised cost	171,129	-	-	171,129
Financial assets at fair value through other comprehensive income				
Available-for-sale financial assets				
Non-monetary equity instrument - fair value	2,291,000	-	-	2,291,000
Efic - Commercial Account	444,964	-	-	444,964
Tourism Australia	20,200	-	-	20,200
Total fair value through other comprehensive income	2,756,164	-	-	2,756,164

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	2019	2018
	\$'000	\$'000
<u>Note 7.5B: Net Gains or Losses on Financial Assets</u>		
Financial assets at amortised cost		
Interest revenue	12,868	13,120
Impairment	(104)	(510)
Write-off	(138)	(218)
Dividend revenue	6,941	5,791
Competitive neutrality revenue	8,082	7,331
Gains recognised in profit or loss for reversal of impairment	-	388,725
Net gain / (loss) on financial assets at amortised cost	27,649	414,239
Financial assets at fair value through other comprehensive income		
Revaluation gain / (loss) recognised in equity	95,127	(6,191)
Net gain / (loss) on financial assets at fair value through other comprehensive income	95,127	(6,191)
Net gain on financial assets	122,776	408,048
<u>Note 7.5C: Net Gains or Losses on Financial Liabilities</u>		
Financial liabilities measured at amortised cost		
Exchange (loss) / gains	(3,107)	(2,891)
Net gain on financial liabilities measured at amortised cost	(3,107)	(2,891)
Financial liabilities at fair value through profit or loss (held for trading)		
Loss on remeasuring at fair value through profit or loss	(137,056)	(26,505)
Net (loss) on financial liabilities at fair value through profit or loss (held for trading)	(137,056)	(26,505)
Net (loss) on financial liabilities	(140,163)	(29,396)

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Note 7.5D: Fair Value of Financial Instruments

	Carrying amount 2019 \$'000	Fair value 2019 \$'000	Carrying amount 2018 \$'000	Fair value 2018 \$'000
Financial Assets				
Cash and cash equivalents	41,796	41,796	1,005	1,005
Receivables for goods and services	6	6	24	24
Concessional loans receivable	159,088	159,088	156,142	156,142
Net position of Efic - NIA	15,120	15,120	13,394	13,394
Traveller emergency loans	543	543	564	564
Investments - available for sale	-	-	2,291,000	2,291,000
Investments - held at FVOCI	2,445,947	2,445,947	-	-
Investments - Efic	539,300	539,300	444,964	444,964
Investments - Tourism Australia	20,991	20,991	20,200	20,200
Total financial assets	3,222,791	3,222,791	2,927,293	2,927,293
Financial liabilities				
Trade creditors	136,599	136,599	187,438	187,438
Grants payable - at fair value through profit or loss	930,179	930,179	1,110,323	1,110,323
Multilateral contributions payable IDA at fair value through profit or loss	494,521	494,521	572,495	572,495
Total financial liabilities	1,561,299	1,561,299	1,870,256	1,870,256

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.

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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 equity instrument at FVOCI'. 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 \$2,422 (2018: \$2,321) 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)

	2019 \$'000	2018 \$'000
Credit quality of financial instruments not best representing maximum exposure to credit risk		
Amortised cost	176,708	177,225
Fair value through other comprehensive income	3,006,238	2,756,164
Total credit quality of financial instruments not best representing maximum exposure to credit risk	3,182,946	2,933,389
Credit quality of financial liabilities best representing maximum exposure to credit risk		
Amortised cost	136,599	187,438
Through profit or loss	1,424,700	1,682,818
Total credit quality of financial liabilities best representing maximum exposure to credit risk	1,561,299	1,870,256

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

	Not past due or impaired 2019 \$'000	Not past due or impaired 2018 \$'000	Past due or impaired 2018 \$'000
Loans and receivables	175,716	174,883	992
Fair value through other comprehensive income	3,006,238	2,756,164	-
Total	3,181,954	2,931,047	2,342

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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 2019

	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	-	136,599	-	-	-	136,599
Financial liabilities at fair value through profit or loss	-	204,394	307,539	683,465	229,302	1,424,700
Total	-	340,993	307,539	683,465	229,302	1,561,299

Maturities for non-derivative financial liabilities 2018

	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	-	187,438	-	-	-	187,438
Financial liabilities at fair value through profit or loss	-	291,253	336,104	716,332	339,129	1,682,818
Total	-	478,691	336,104	716,332	339,129	1,870,256

DFAT had no derivative financial liabilities in both the current and prior financial year.

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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 equity instrument held at FVOCI); currency risk (for the purposes of converting to Australian dollars the discounted United States dollar value of the non-monetary equity instrument held at FVOCI); 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 2019 from 8.7% (2018: 9.2%) 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 2019

	Risk variable	Change in risk variable %	Effect on	
			Profit and loss \$'000	Equity \$'000
Currency risk	\$/USD	+ 8.7%	(195,766)	(195,766)
Currency risk	\$/USD	- 8.7%	233,075	233,075
Interest rate risk	Discount rates	+ 0.2%	(70,312)	(70,312)
Interest rate risk	Discount rates	- 0.2%	(30,694)	(30,694)

Sensitivity analysis of the risk that the entity is exposed to for 2018

	Risk variable	Change in risk variable %	Effect on	
			Profit and loss \$'000	Equity \$'000
Currency risk	\$/USD	+ 9.2%	(192,844)	(192,844)
Currency risk	\$/USD	- 9.2%	232,168	232,168
Interest rate risk	Discount rates	+ 0.2%	(24,964)	(24,964)
Interest rate risk	Discount rates	- 0.2%	18,195	18,195

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