

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

4. Assets and Liabilities Administered on Behalf of Government

4.1 Administered - Financial Assets

	2019	2018
	\$'000	\$'000
Note 4.1A: Cash and Cash Equivalents		
Cash on hand or on deposit	5,012	1,005
Special account cash held by the entity	5	-
Cash in special accounts held in the OPA	36,779	1,587
Total cash and cash equivalents	41,796	2,592

Accounting policy

Cash is recognised at its nominal amount. Cash and cash equivalents includes cash on hand, deposits on hand in bank accounts and special account cash held (excluding trust balances) in the OPA.

Note 4.1B: Trade and Other Receivables

Goods and services receivable

Goods and services receivable	29	25
Scholarship debts	1,748	1,559
Total goods and services receivable	1,777	1,584

Advances and loans

Concessional loan receivable - AIPRD	159,088	156,142
Other - travellers emergency loans	1,194	1,293
Total advances and loans	160,282	157,435

Other receivables

Statutory receivables	13,438	15,117
Net position of Efic - NIA	15,120	13,394
Passport fees	-	2,852
Other	1,951	4,281
Total other receivables	30,509	35,644
Total trade and other receivables (gross)	192,568	194,663

Less impairment loss allowance

Advances and loans - travellers emergency loans	(651)	(729)
Other receivables - external parties	(1,771)	(1,592)
Total impairment loss allowance	(2,422)	(2,321)
Total trade and other receivables (net)	190,146	192,342

Trade and other receivables (net) are expected to be recovered

No more than 12 months	30,412	39,503
More than 12 months	159,734	152,839
Total trade and other receivables (net)	190,146	192,342

The impairment loss allowance is based on an assessment of debts outstanding and is predominantly aged more than 90 days.

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Note 4.1B: Trade and Other Receivables (continued)

Reconciliation of the impairment loss allowance

Movements in relation to 2019

	Advances and loans \$'000	Receivables - external parties \$'000	Total \$'000
Opening balance	729	1,592	2,321
Amounts restated through opening retained earnings	-	-	-
Amounts impaired	-	182	182
Amounts recovered and reversed	(78)	(3)	(81)
(Decrease) recognised in net surplus	-	-	-
Closing balance	651	1,771	2,422

Movements in relation to 2018

	Advances and loans \$'000	Receivables - external parties \$'000	Total \$'000
Opening balance	691	1,123	1,814
Amounts impaired	38	469	507
Amounts recovered and reversed	-	-	-
(Decrease) recognised in net surplus	-	-	-
Closing balance	729	1,592	2,321

Accounting policy

Trade and other receivables

Consistent with DFAT's outcomes, long-term loans are provided to other entities at concessional rates. On payment of the loan funds, differences between the nominal value of the loan subscription and the fair value of the associated assets are recorded in the Schedule of Administered Items as an expense administered on behalf of Government.

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, de-recognition and amortisation are recognised through profit or loss.

Efic – NIA

Part 5 of the Efic Act provides for the Minister for Trade, Tourism and Investment to give an approval or direction to Efic to undertake any transaction that the Minister considers is in the national interest. Such transactions may relate to a class of business which Efic is not authorised to undertake, or involve terms and conditions Efic would not accept in the normal course of business on its Commercial Account. Efic manages these transactions on the NIA.

For these transactions, the credit risk is borne by the Government and the funding risk is borne by Efic on the Commercial Account. Accordingly, premium or other income arising from these transactions are paid by Efic to the Government. Efic recovers from the Government the costs of administration and any losses incurred in respect of such business.

Loans on the NIA are funded from the Efic Commercial Account at fair value. The amount disclosed above reflects the Commonwealth's exposure on business undertaken on the NIA. It reflects the net amount of:

- a) Assets in the form of loans to and rescheduled credit insurance debts owing by foreign governments, commitment fees on loans received by Efic but not yet paid to the Commonwealth and bond premiums receivable from exports; and,
- b) Liabilities relating to the reimbursement to Efic for debt forgiveness on loans, provisions for unearned income on loan premiums, accrued expenses including Efic administration fees and other creditors.

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	2019 \$'000	2018 \$'000
Note 4.1C: Investments		
Non-monetary available-for-sale IDA and ADF Subscriptions - fair value	-	2,291,000
Non-monetary IDA and ADF Subscriptions - fair value through OCI	2,445,947	-
Efic - Commercial Account	539,300	444,964
Tourism Australia	20,991	20,200
Total other investments	3,006,238	2,756,164

Accounting policy

Administered investments are measured at their fair value through other comprehensive income as at 30 June 2019. Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the whole-of-Government level. Financial instruments are recognised on a trade date basis.

Non-monetary IDA and ADF Subscriptions

The Australian Government holds these investments long-term for policy reasons, with the issuers being partner foreign governments and multilateral aid organisations including the IDA and the ADF. The investment represents subscription-based membership rights held by the Australian Government in accordance with the articles of association for the IDA and the ADF.

The subscriptions to the IDA and the ADF are classified as equity investments and have been reclassified at fair value through other comprehensive income under AASB 9: Financial Instruments. There is no intention to trade these investments, as there is no observable market value for them. DFAT, based on independent expert valuation advice, values the investment on a discounted cash flow basis. The basis assumes the redemption of the Commonwealth's pro-rata share of the outstanding loan principal for each fund. The redemption basis is consistent with the withdrawal provisions of the articles of association with the IDA and the ADF.

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. The discount rate range uses 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. Changes in fair value are recognised directly in the administered reconciliation schedule. Foreign currency movements and impairment losses and reversals are recorded in the administered schedule of comprehensive income.

Efic – Commercial Account

Efic's principal activity is the provision of competitive finance and insurance services to Australian exporters and Australian companies investing in new projects overseas. The Australian Government guarantees to Efic's creditors the payment of monies payable by Efic on the Commercial Account (CA). The Minister for Trade, Tourism and Investment has the powers to determine and instruct Efic to pay a dividend in accordance with section 55(1) of the Efic Act. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entity as at the end of the reporting period.

Tourism Australia

Tourism Australia is the Australian Government agency responsible for attracting international visitors to Australia, both for leisure and business events. DFAT administers Tourism Australia on behalf of the Government for oversight and management purposes and to improve linkages internationally. Funding appropriated to DFAT for Tourism Australia is disclosed as Payments to corporate Commonwealth entities in the Administered Schedule of Comprehensive Income. Fair value has been taken to be the Australian Government's proportional interest in the net assets of the entity as at the end of the reporting period.