

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

4.3 Administered - Payables

	2019 \$'000	2018 \$'000
Note 4.3A: Grants		
Multilateral grants payable - fair value through profit and loss	<u>930,179</u>	<u>1,110,323</u>
Total grants	<u>930,179</u>	<u>1,110,323</u>
Note 4.3B: Other Payables		
Multilateral contributions - fair value through profit and loss	494,521	572,495
International development assistance	<u>136,599</u>	<u>187,438</u>
Total other payables	<u>631,120</u>	<u>759,933</u>

Accounting policy

Financial liabilities are classified either at fair value through profit or loss, or as other financial liabilities. Financial liabilities are recognised and derecognised upon 'Trade Date'.

Financial liabilities at fair value through profit or loss include multilateral grants payable and multilateral contributions payable and are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The 10 year Australian government bond rate is used to discount the expected payment schedules of each loan agreement for multilateral grant payables and multilateral contributions with a discounted rate range (comprising a risk free rate (20 year US government bond rate) and currency, sovereign and liquidity risk premiums) also impacting on the fair value through profit and loss for the multilateral contributions payable.

Other financial liabilities include trade creditors and accruals and are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

As part of the transfer of the Asian Development Fund (ADF) into the Asian Development Bank's (ADB) Consolidated Capital Reserve (OCR) on 1 January 2017 all subscription rights were fixed based on cash contributions paid at the time of transfer. All outstanding pledge payments from this date no longer attract a right to a subscription asset. This change was advised of during the preparation of the 2018-19 financial statements. For comparative purposes therefore the outstanding pledge payments of \$129.662m have been moved from Other Payables: Multilateral contributions – FV through profit and loss to Grants: Multilateral grants payable – FV through profit and loss to better enable comparison with the 2018-19 numbers.