

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

**3.4 Provisions**

	2017 \$'000	2016 \$'000
<b><u>Note 3.4A: Other Provisions</u></b>		
Provision for restoration obligations	<b>19,567</b>	18,763
<b>Total other provisions</b>	<b>19,567</b>	18,763
<b>Provision for restoration</b>		
<b>As at 1 July</b>	<b>18,763</b>	22,422
Additional provisions made	<b>1,661</b>	985
Amounts used	<b>(160)</b>	-
Amounts reversed	<b>(1,014)</b>	(527)
Revaluation of Provision	<b>114</b>	(2,893)
Changes in Foreign Exchange Rates	<b>(455)</b>	(70)
Unwinding of discount	<b>658</b>	462
Change in discount rate	<b>-</b>	(1,616)
<b>As at 30 June</b>	<b>19,567</b>	18,763

Other provisions expected to be settled no more than 12 months are \$5.182m (2016: \$2.986m) and other provisions expected to be settled more than 12 months are \$14.385m (2016: \$15.777m).

DFAT currently has 77 agreements (2016: 73) for the leasing of premises where DFAT has raised a provision to restore the premises to their original condition at the conclusion of the lease. The provision reflects the present value of these obligations.

**Accounting policy**

For a number of property leases, DFAT has obligations to restore to their original condition or makegood leasehold improvements. These are assessed on a site-by-site basis in line with the relevant clauses of the underlying lease, with fair value calculated based on estimated costs per square metre at the time the makegood obligation falls due, discounted to present value.

DFAT engages an independent expert to assist in the valuation of the estimated costs to makegood. The total provision is reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the adjustment relates to the revaluation of the provision and there is sufficient related asset revaluation reserve for the associated leasehold improvement assets, the adjustment is recorded against the asset revaluation reserve. All other adjustments are recognised in the Statement of Comprehensive Income.