

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

3.4 Provisions

	2018	2017
	\$'000	\$'000
<u>Note 3.4A: Other Provisions</u>		
Provision for restoration obligations	17,810	19,567
Total other provisions	17,810	19,567
 Provision for restoration		
As at 1 July	19,567	18,763
Additional provisions made	528	1,661
Amounts used	(345)	(160)
Amounts reversed	(3,627)	(1,014)
Revaluation of Provision	1,030	114
Changes in Foreign Exchange Rates	344	(455)
Unwinding of discount	313	658
As at 30 June	17,810	19,567

DFAT currently has 65 agreements (2017: 77) 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 surplus for the associated leasehold improvement assets, the adjustment is recorded against the asset revaluation surplus. All other adjustments are recognised in the Statement of Comprehensive Income.