

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

3.4 Provisions

	2019	2018
	\$'000	\$'000
Note 3.4A: Other Provisions		
Provision for restoration obligations	25,385	17,810
Total other provisions	25,385	17,810
Provision for restoration		
As at 1 July 2018	17,810	19,567
Additional provisions made	2,726	528
Amounts used	(25)	(345)
Amounts reversed	(1,265)	(3,627)
Revaluation of Provision	5,329	1,030
Changes in Foreign Exchange Rates	428	344
Unwinding of discount	382	313
Total as at 30 June 2019	25,385	17,810

DFAT currently has 63 agreements (2018: 65) 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.