

## 10.7. Provisions

	2019 \$'000	2018 \$'000
<b>Current</b>		
Onerous operating lease	-	85
Make good provisions	301	156
Annual leave	1,166	962
Long service leave	996	727
	<u>2,463</u>	<u>1,930</u>
<b>Non-current</b>		
Make good provisions	1,888	1,436
Long service leave	76	77
	<u>1,964</u>	<u>1,513</u>
<b>Reconciliation of movement in make good provisions</b>		
Opening balance	1,592	1,030
Arising during the year	318	-
Changes in discount rates	342	555
Unwinding of discount rates	94	7
Utilised	(157)	-
<b>Closing balance</b>	<u>2,189</u>	<u>1,592</u>

The Group is required to restore the leased premises in a number of leasehold properties to their original condition at the end of lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

## 10.8. Non-financial assets fair value measurement

The Group has classified its non-financial assets held at fair value into the three levels prescribed in note 9.8 to provide an indication about the reliability of inputs used to determine fair value.

	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>At 30 June 2019</b>					
Assets held for sale	10.2	-	1,107	-	1,107
Leasehold investment properties	10.4	-	-	215,279	215,279
Freehold investment properties	10.4	-	-	1,874,698	1,874,698
		-	1,107	2,089,977	2,091,084
<b>At 30 June 2018</b>					
Assets held for sale	10.2	-	5,713	-	5,713
Leasehold investment properties	10.4	-	-	207,664	207,664
Freehold investment properties	10.4	-	-	1,377,924	1,377,924
		-	5,713	1,585,588	1,591,301

### Recognised fair value measurements

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. During the year ended 30 June 2019 the Group transferred \$2.1m from level 3 to level 2 following the reclassification of assets from freehold investment properties to assets held for sale, and \$5.7m from level 2 to level 3 following the reclassification of assets from assets held for sale to freehold investment properties, as detailed in note 10.2.

In the prior year ended 30 June 2018 the Group transferred \$4.4m from level 3 to level 2 following the reclassification of an asset from freehold investment properties to assets held for sale.

## Fair value measurements using significant observable inputs (level 2)

The fair value of assets held for sale is determined using valuation techniques which maximise the use of observable market data. For the years ended 30 June 2019 and 30 June 2018, the Group has valued assets classified as held for sale at the contractually agreed sales price less estimated cost of sale or other observable evidence of market value.

## Fair value measurements using significant unobservable inputs (level 3)

### Valuation techniques used to determine level 3 fair values and valuation process

Investment properties, principally storage buildings, are held for rental to customers requiring self-storage facilities and are carried at fair value. Changes in fair values are presented in profit or loss as fair value adjustments.

Fair values are determined by a combination of independent valuations and Director valuations. The independent valuations are performed by an accredited independent valuer. Investment properties are independently valued on a rotational basis every three years unless the underlying financing requires a more frequent valuation cycle. For properties subject to an independent valuation report the Directors verify all major inputs to the valuation and review the results with the independent valuer. The Director valuations are completed by the NSH Group Board. The valuations are determined using the same techniques and similar estimates to those applied by the independent valuer.

The Group obtains the majority of its external independent valuations at each financial year end. The Group's policy is to maintain the valuation of the investment property valued in the preceding year at external valuation, unless there is an indication of a significant change to the property's valuation inputs.

The table below details the percentage of the number of investment properties subject to internal and external valuations during the current and comparable reporting periods

	External valuation %	Internal valuation %
<b>Year ended 30 June 2019</b>		
Leasehold	23%	77%
Freehold	38%	62%
<b>Year ended 30 June 2018</b>		
Leasehold	60%	40%
Freehold	27%	73%

The Group also obtained external valuations on 31 freehold investment properties acquired during the year ended 30 June 2019 (year ended 30 June 2018: 19 freehold investment properties). These external valuations provide the basis of the Directors' valuations applied to these properties at 30 June 2019 and 30 June 2018. Including these valuations, 51% of freehold investment properties were subject to external valuations during the year (year ended 30 June 2018: 43% of freehold investment properties).