Source Reference

AASB 116.77(a) (b),
AASB 116 Aus77.1

Note 17. Property, plant and equipment *(continued)*

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable.

An independent valuation of the Departments heritage assets, infrastructure and road infrastructure and earthworks was performed by the Valuer-General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2015.

Vehicles

Vehicles are valued using the depreciated replacement cost method. The Department acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Department who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Plant and equipment

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

AASB 13.66

There were no changes in valuation techniques throughout the period to 30 June 2015.

AASB 13.93(i)

For all assets measured at fair value, the current use is considered the highest and best use.

Revised
AASB 13.93 (e)

Table 17.8: Reconciliation of Level 3 fair value

2015	*Specialised land*	*Specialised buildings*	*Heritage assets*	*Vehicles*	*Plant and equipment*	*Infrastructure*	*Road, infrastructure and earthworks*
Opening balance	**2 534**	**4 595**	**12 553**	**15 321**	**27 850**	**4 931**	**4 993**
Purchases (sales)	579	1 334	479	1 870	3 385	(2 419)	(1 501)
Transfers in (out) of Level 3	..	..	..		..	..	..
Gains or losses recognised in net result							
Depreciation	..	(70)	(950)	(125)	(300)	(200)	(550)
Impairment loss	..	(55)	(450)	(125)	..	(230)	(300)
Subtotal	**..**	**(125)**	**(1 400)**	**(250)**	**(300)**	**(430)**	**(850)**
Gains or losses recognised in other economic flows – other comprehensive income							
Revaluation	(329)	(89)	(1 086)	..	..	(397)	(385)
Subtotal	**(329)**	**(89)**	**(1 086)**	**..**	**..**	**(397)**	**(385)**
Closing balance	2 784	5 715	10 546	16 941	30 935	1 685	2 257
Unrealised gains/(losses) on non-financial assets (i)	..	..	..	..	..	..	..

New

Note:
(i) [Please note that for departments and not-for-profit public sector entities that early adopt AASB 2015-7 Fair Value Disclosures of Not-for-Profit Public Sector Entities, the shaded row relating to 'unrealised gains/(losses) on non-financial assets' is not required if the assets are held primarily for their current service potential rather than to generate net cash inflows.]

Source Reference

Revised

AASB 13.Aus 93.1

Table 17.9: Description of significant unobservable inputs to Level 3 valuations

	Valuation technique (i)	*Significant unobservable inputs* (i)	*Range (weighted average)* (i)	*Sensitivity of fair value measurement to changes in significant unobservable inputs*(i)
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	50–70% (60%) (ii)	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value.
Specialised buildings	Depreciated replacement cost	Direct cost per square metre	$1 000–$1 500/m^2 ($1 300)	A significant increase or decrease in direct cost per square metre adjustment would result in a significantly higher or lower fair value.
		Useful life of specialised buildings	30–60 years (45 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Heritage assets	Depreciated replacement cost(iii)	Direct cost per square metre	$600–$900/m^2 ($800)	A significant increase or decrease in direct cost per square metre adjustment would result in a significantly higher or lower fair value.
		Useful life of heritage assets	75–95 years (85 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	Depreciated replacement cost	Cost per unit	$9 000–$10 000 per unit ($9 500 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of vehicles	3–5 years (3 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment	Depreciated replacement cost	Cost per unit	$3 000–$4 000 per unit ($3 500 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	5–10 years (7 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Infrastructure	Depreciated replacement cost	Cost per unit	$5 000–$8 000 per unit ($7 000 per unit)	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of the infrastructure	10 to 32 years (15 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Road, infrastructure and earthworks	Depreciated replacement cost	Cost per metre	$500–$650 per metre ($600 per metre)	A significant increase or decrease in cost per metre would result in a significantly higher or lower fair value.
		Useful life of the road, infrastructure and earthworks	60 to 90 years (75 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

Revised

Notes:
(i) [Illustrations on the valuation techniques and significant unobservable inputs are indicative and should not be directly used without consultation with entities' independent valuer. Please note that for departments and not-for-profit public sector entities that early adopt AASB 2015-7 Fair Value Disclosures of Not-for-Profit Public Sector Entities, the shaded columns relating to the quantitative information of 'significant unobservable inputs' and the 'sensitivity analysis' are not required if the assets are held primarily for their current service potential rather than to generate net cash inflows.]
(ii) CSO adjustments ranging from 50 per cent to 70 per cent were applied to reduce the market approach value for the Department's specialised land, with the weighted average 60 per cent reduction applied.
(iii) For some heritage and iconic assets, cost may be the reproduction cost of the asset rather than the replacement cost if their service potential could only be replaced by reproducing them with the same materials.