

LAND VALUATION DISCLOSURE For 2006-07

Note 1 Significant accounting policies

Land – Cemetery Use

Crown land controlled by XXXXX Cemetery Trust, which has been reserved for cemetery and crematoria purposes, is measured at fair value with regard to the land's highest and best use (HBU) after due consideration is made for legal and/or constructive restrictions imposed on the land. These restrictions, whereby the land has been reserved for a cemetery, have been assessed by the Valuer-General of Victoria as reducing the land's highest and best use value by a discount factor of 95%. The discount of 95% represents the community service obligation (CSO) of providing the cemetery to the Victorian public.

The carrying values of land held at fair value are reviewed each balance date to ensure that they do not differ materially from fair value.

Cemetery use land was valued as at 30 June 2007 by the Valuer-General of Victoria's registered valuer in accordance with the requirements of Financial Reporting Direction FRD103B *Non-current Physical Assets*, issued pursuant to the Financial Management Act (the next scheduled revaluation under FRD 103B is set for 30 June 2012, or earlier if there is an indication that fair values have moved materially since the last valuation).

Note X Property Plant and Equipment Note

	2007 \$	2006 \$
Land – Cemetery Use		
Freehold land:		
Crown land:		
At Cost	1,000,000	-
Less Accumulated Impairment Losses	(950,000)	-
	<u>50,000</u>	-
At Valuation 2007	300,000	
At Valuation 2004		600,000
Total Land – Cemetery Use *	<u>350,000</u>	<u>600,000</u>
* Land - Cemetery Use is carried at	350,000	600,000

The latest cemetery land values have been provided by Mr A. Value, a qualified property valuer, as at 30 June 2007. The valuation has been prepared in accordance with accounting policy note 1 (?) using the Highest and Best Use (HBU) value discounted by 95%, representing the Community Service Obligation (CSO) associated with cemeteries. The latest cemetery land valuation excluded land purchases during 2006/07 which are deemed to be at fair value and have been subject to an impairment write off in accordance with accounting policy note 1 (??), comprising a CSO discount of 95%.

The calculation of the value of land for cemetery use is:

Land at HBU (unrestricted) value	6,000,000	4,000,000
less CSO (discount of 95%)	(5,700,000)	
less CSO (discount of 85%)		(3,400,000)
Total Land at valuation	<u>300,000</u>	<u>600,000</u>
Land at impaired cost	50,000	-
Total Land – Cemetery Use	<u>350,000</u>	<u>600,000</u>

Should a cemetery not be able to provide the comparative information then they will need to agree with their VAGO representative the disclosures required under AASB101 paragraphs 38 & 39

Should the discount of 95% of the value of land as at 30 June 2007 vary materially from the discount that was applied to land values previously this would result in a change in accounting estimates as is covered by AASB108 Accounting Policies, Changes in Accounting Estimates and Errors.

AASB108 requires that that a change in an accounting estimate that gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change. The standard requires the disclosure of the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

The following disclosure is recommended, with the value of \$ZZZ being calculated by un-discounting the prior year value of land by the original discount rate and then re-discounting by 95%. For example, as per above example, the discounted value of land in the prior year was \$600k and the discount rate was 85% then change in value due to the change in discount rates is calculated $\$600k - (600k / (100\% - 85\%)) \times (100\% - 95\%)$ or \$400k

Note Y Change in accounting estimate of discount applied to the value of land

During the financial year the Valuer-General of Victoria in consultation with the Cemeteries Accounting Policy Working Group auspiced by the Department of Human Services determined that the valuation of land reserved for cemetery purposes should be calculated by discounting the Highest and Best Use value of the land by 95% due to the restriction that the land is reserved as a cemetery. Previously the land controlled by XXXXX Cemetery Trust has been valued with a discount rate of ZZ%. The net financial effect of this change in the current financial year was a decrease in the value of land of \$ZZZ and a corresponding decrease in the Asset Revaluation Reserve for land.