14. Property, plant and equipment

2019	Plant and equipment $m	Right-of-use plant and equipment $m	Other $m	Right-of-use other $m	Total $m
Balance at 1 July 2018, net of accumulated depreciation and impairment	**6,463**	**6**	**94**	**194**	**6,757**
Reclassified to intangible assets	**(450)**	**-**	**-**	**-**	**(450)**
Additions	**756**	**-**	**-**	**17**	**773**
Disposals	**(15)**	**-**	**-**	**-**	**(15)**
Depreciation expense	**(459)**	**(1)**	**(2)**	**(15)**	**(477)**
Balance at 30 June 2019, net of accumulated depreciation and impairment	**6,295**	**5**	**92**	**196**	**6,588**

Balance at 1 July 2018					
Cost (gross carrying amount)	**8,895**	**11**	**109**	**261**	**9,276**
Accumulated depreciation and impairment	**(2,432)**	**(5)**	**(15)**	**(67)**	**(2,519)**
Net carrying amount	**6,463**	**6**	**94**	**194**	**6,757**

Balance at 30 June 2019					
Cost (gross carrying amount)	**8,672**	**11**	**109**	**278**	**9,070**
Accumulated depreciation and impairment	**(2,377)**	**(6)**	**(17)**	**(82)**	**(2,482)**
Net carrying amount	**6,295**	**5**	**92**	**196**	**6,588**

Restated 2018[1]					
Balance at 1 July 2017, net of accumulated depreciation and impairment (restated)	6,220	7	96	205	6,528
Additions	783	-	-	1	784
Disposals	(4)	-	-	-	(4)
Reclassified as held for sale	(8)	-	-	-	(8)
Depreciation expense	(528)	(1)	(2)	(12)	(543)
Balance at 30 June 2018, net of accumulated depreciation and impairment	6,463	6	94	194	6,757

1. Comparatives have been restated for the adoption of AASB 16 Leases. Refer to Note 38(c).

Balance at 1 July 2017					
Cost (gross carrying amount)	8,426	11	144	260	8,841
Accumulated depreciation and impairment	(2,206)	(4)	(48)	(55)	(2,313)
Net carrying amount	6,220	7	96	205	6,528

Balance at 30 June 2018					
Cost (gross carrying amount)	8,895	11	109	261	9,276
Accumulated depreciation and impairment	(2,432)	(5)	(15)	(67)	(2,519)
Net carrying amount	6,463	6	94	194	6,757

Other

Includes land, buildings and leasehold improvements.

Property, plant and equipment under construction

The net carrying amount of property, plant and equipment disclosed above includes expenditure recognised in relation to plant and equipment which is in the course of construction of $793 million (2018: $684 million).

Software

During the year, $450 million of software was reclassified to intangible assets.

14. Property, plant and equipment (cont.)

ACCOUNTING POLICY

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Finance costs related to the acquisition or construction of qualifying assets are capitalised. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are capitalised when it is probable that future economic benefits associated with the item will flow to AGL and the cost of the item can be measured reliably. Other costs are recognised in profit or loss as incurred.

The gain or loss arising on disposal or retirement is recognised in profit or loss.

Depreciation is calculated on a straight-line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are amortised over the period of the relevant lease or estimated useful life, whichever is the shorter. Land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted if appropriate at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Freehold buildings – Up to 50 years
- Leasehold improvements – lesser of lease period or up to 50 years
- Plant and equipment – Up to 50 years

Right-of-use assets (ROU assets)

A ROU asset is recognised in relation to each lease and is initially measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made before the commencement date (reduced by lease incentives received), plus initial direct costs incurred in obtaining the lease and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A ROU asset is subsequently measured using the cost model less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. AGL does not apply the revaluation model but instead carries all ROU assets at cost. The ROU asset is depreciated over its useful life. The useful life of a ROU asset for depreciation purposes is the shorter of the useful life of the asset and the lease term. Where the ROU asset is adjusted due to changes in the lease liability, the depreciation for the ROU asset is adjusted on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation on ROU assets:

- Plant and equipment – ROU assets: lesser of lease period or up to 50 years
- Other – ROU assets: lesser of lease period or up to 50 years

Short-term and low value leases as lessee

AGL has elected to apply the practical expedients available for short-term leases (i.e. where the lease period is 12 months or less) and low-value asset leases. As a result of application of these practical expedients, the measurement requirements of accounting standards do not apply and the expense for these leases is recognised on a straight-line basis.

Impairment of non-financial assets excluding goodwill

At the end of each reporting period, AGL reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, AGL estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.