

Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

9. Trade and other receivables (cont.)

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Expected credit loss on trade receivables and unbilled revenue

AGL uses an allowance matrix to measure expected credit losses of trade receivables and unbilled revenue from its customers. Trade receivable amounts are disaggregated into customer segments.

Loss rates are estimated in each age category and are based on the probability of a receivable progressing through to write-off. Factors to estimate the loss rate are based on risk assessment performed for each customer segment and economic factors such as wholesale electricity forward curves, commodity fuel forward curves and prevailing macro-economic information.

Unbilled revenue

AGL recognises revenue from gas and electricity sales once the gas and/or electricity has been consumed by the customer.

Management estimates customer consumption between the last invoice date and the end of the reporting period when determining gas and electricity revenue for the financial period. Various assumptions and financial models are used to determine the estimated unbilled consumption.

Some of the assumptions and estimates include:

- Volume and timing of energy consumed by the customers
- Various pricing plans prevalent and allocation of the estimated volume to such pricing plans
- Loss factors
- Behavioural discounts

10. Inventories

	2019 \$m	2018 \$m
Current		
Raw materials and stores - at cost	311	242
Finished goods - at cost	77	128
Total current inventories	388	370
Non-current		
Finished goods - at cost	57	10
Total non-current inventories	57	10

ACCOUNTING POLICY

Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out or weighted average basis. Net realisable value represents the estimated selling price for inventories less the estimated costs necessary to sell the inventory.