17. Trade and other payables (cont.)

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Accrued distribution costs

AGL recognises distribution costs once the gas and electricity has been delivered to the customer and is measured through a regular review of usage meters. Management estimates customer consumption between the last invoice date and the end of the reporting period when determining distribution costs for the financial period. Various assumptions and financial models are used to determine the estimated unbilled consumption.

18. Borrowings

	2019 $m	Restated 2018 $m[1]
Current		
Bank loans - unsecured	**60**	-
CPI bonds - unsecured	**8**	8
Other loans - unsecured	**11**	11
Lease liabilities	**23**	15
Total current borrowings	**102**	34
Non-current		
USD senior notes - unsecured	**1,054**	931
Subordinated notes - unsecured	**-**	650
Medium term notes - unsecured	**599**	598
Bank loans - unsecured	**760**	410
CPI bonds - unsecured	**73**	80
Other loans - unsecured	**122**	133
Lease liabilities	**149**	139
Deferred transaction costs	**(9)**	(12)
Total non-current borrowings	**2,748**	2,929

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

Financing facilities

AGL has access to the following committed bank facilities:

	Total facilities		Amounts used	
	2019 $m	2018 $m	2019 $m	2018 $m
USD senior notes - unsecured (after effect of cross currency swaps)	**910**	910	**910**	910
Subordinated notes - unsecured	**-**	650	**-**	650
Medium term notes - unsecured	**599**	598	**599**	598
Bank loans - unsecured	**1,261**	1,256	**820**	410
CPI bonds - unsecured	**81**	88	**81**	88
Other loans - unsecured	**133**	144	**133**	144
Bank guarantees - unsecured	**569**	499	**408**	408
Total financing facilities	**3,553**	4,145	**2,951**	3,208

18. Borrowings (cont.)

USD senior notes

On 8 December 2016, AGL issued US$395 million of fixed rate unsecured senior notes in the US private placement market, comprising three tranches of 12 year, 13 year and 15 year maturities for US$150 million, US$70 million and US$175 million, respectively. To manage the foreign exchange risk arising from the future principal and interest payments required on the US$395 million, the notes were converted back to approximately A$522 million through cross currency interest rate swaps. On 8 December 2016, AGL further issued A$50 million of fixed rate unsecured senior notes in the US private placement market with a 10 year maturity.

On 8 September 2010, AGL issued US$300 million of fixed rate unsecured senior notes in the US private placement market, comprising two tranches of 12 year and 15 year maturities for US$165 million and US$135 million, respectively. To manage the foreign exchange risk arising from the future principal and interest payments required on the US$300 million, the notes were converted back to approximately A$338 million through cross currency interest rate swaps.

Subordinated notes

On 4 April 2012, AGL issued $650 million of unsecured AGL Energy Subordinated Notes in the Australian retail bond market. The notes had a 27 year maturity with a non-recall period of seven years. Interest on these notes was charged at Bank Bill rate plus a margin of 3.8% and is paid on a quarterly basis. The notes were redeemed on 11 June 2019 for their face value plus any outstanding interest.

Medium term notes

On 5 November 2014, AGL issued $600 million of senior unsecured, seven year fixed rate medium term notes. The notes were issued at a spread of swap plus 170 basis points, equating to a 5% coupon.

Bank loans

In June 2018, AGL extended its existing $410 million 6.5 year club term loan facility for another four years to mature in June 2025. As at 30 June 2019, this facility was fully utilised.

On 8 October 2015, AGL extended a $150 million revolving facility for a further year until December 2019. As at 30 June 2019, $60 million of the revolving facility was utilised.

In February 2017, AGL amended and extended the $400 million revolving tranche of the syndicated loan facility to mature in September 2020. As at 30 June 2019, $350 milion of the revolving tranche was utilised.

During the FY17 financial year, AGL executed $375 million of new bank bilateral debt facilities for tenors between 1.5 to 5 years. Out of the $375 million, $100 million matured in FY19, and the remaining $275 million were fully undrawn as at 30 June 2019.

CPI bonds

CPI bonds rank pari passu with other unsecured debt and will mature in May 2027.

Other loans

On 5 July 2011, AGL entered into a $200 million loan facility with EKF, the Danish export credit agency. Amortising over 18 years, the loan matures in 2031. As at 30 June 2019, this facility was fully utilised.

ACCOUNTING POLICY

Borrowings

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Leases

At inception of a contract, AGL assesses whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys to the customer a right to control the use of an identified asset for a period of time in exchange for consideration.

18. Borrowings (cont.)

ACCOUNTING POLICY

AGL assesses whether:

- The contract involves the use of an identified asset – the asset may be explicitly or implicitly specified in the contract. Capacity portions of larger assets would be considered an identified asset if the portion is physically distinct or if the portion represents substantially all of the capacity of the asset. An asset is not considered an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use.
- The customer in the contract has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The customer in the contract has the right to direct the use of the asset throughout the period of use – the customer is considered to have the right to direct the use of the asset only if either:
  - The customer has the right to direct how and for what purpose the identified asset is used throughout the period of use; or
  - The relevant decisions about how and for what purposes the asset is used are predetermined and the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

AGL has applied the above approach in identifying leases in contracts entered into, or modified, on or after 1 July 2018. For contracts entered into before 1 July 2018, AGL has elected to apply the grandfathering practical expedient on transition as detailed in note 38(c). Consequently, the transition and measurement requirements only apply to arrangements that were identified as leases pursuant to the previous leases standards as at and subsequent to 1 July 2018.

AGL as lessee

In contracts where AGL is a lessee, AGL recognises a right-of-use asset and a lease liability at the commencement date of the lease for all leases other than short-term or low-value asset leases.

Lease liabilities

A lease liability is recognised in relation to each lease and is initially measured at the present value of future lease payments at the commencement date. To calculate the present value, the future lease payments are discounted using the interest rate implicit in the lease (IRIL), if the rate is readily determinable. If the IRIL cannot be readily determined, the incremental borrowing rate at the commencement date is used. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date (e.g. payments that vary due to changes in CPI, or commodity prices); and
- Amounts expected to be payable by the lessee under residual value guarantees, purchase options and termination penalties (where relevant).

Variable payments other than those included in the measurement of the lease liability above (i.e. those not based on an index or rate) are recognised in profit or loss in the period in which the event or condition that triggers those payments occur.

For contracts containing lease and non-lease components, AGL accounts for each lease component separately from the non-lease components of the contract, where material. The consideration in the contract is allocated to the components based on their relative stand-alone prices.

Subsequently, the lease liability is measured in a manner similar to other financial liabilities, i.e., at amortised cost using the effective interest rate method. This means the liability is:

- Increased to reflect interest on the lease liability;
- Decreased to reflect lease payments made; and
- Remeasured to reflect any reassessment of lease payments or lease modifications, or to reflect revised in-substance fixed lease payments.

After commencement date, the following amounts are recognised in profit or loss with respect to the payments pursuant to the lease:

- interest expense: recognised as finance cost; and
- variable lease payments not based on an index or a rate: recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Short-term and low value leases

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

18. Borrowings (cont.)

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Leases

Lease term

Where lease arrangements contain options to extend the term or terminate the contract, AGL assesses whether it is 'reasonably certain' that the option to extend or terminate the contract will be made. Consideration is given to the prevalence of other contractual arrangements and or the economic circumstances relevant to the lease contract, that may indicate the likelihood of the option being exercised. Lease liabilities and ROU assets are measured using the reasonably certain contract term.

Lease discount rates

The discount rate applicable to a lease arrangement is determined at the inception of the contract or when certain modifications are made to the contract. The discount rate applied is the rate implicit in the arrangement, or if unknown, AGL's incremental borrowing rate. The incremental borrowing rate is determined with reference to AGL's borrowing portfolio at the inception of the arrangement or the time of the modification and the amount and nature of the lease arrangement. If the arrangement relates to a specialised asset, incremental project financing assumptions are considered.

19. Provisions

	2019 $m	2018 $m
Current		
Employee benefits	**184**	189
Environmental restoration	**12**	18
Onerous contracts	**25**	25
Restructuring	**4**	1
Total current provisions	**225**	**233**

	2019 $m	2018 $m
Non-current		
Employee benefits	**13**	38
Environmental restoration	**330**	308
Onerous contracts	**138**	163
Total non-current provisions	**481**	509

Movements in each class of provision, except employee benefits, are set out below:

	Environmental restoration $m	Restructuring $m	Onerous contracts $m	Total $m
Balance at 1 July 2018	**326**	**1**	**188**	**515**
Additional provisions recognised	**3**	**8**	**-**	**11**
Provisions utilised and derecognised	**(16)**	**(5)**	**(31)**	**(52)**
Unwinding of discount	**29**	**-**	**6**	**35**
Balance at 30 June 2019	**342**	**4**	**163**	**509**