Market Announcement

Dated:10 May 2018

Tilt Renewables results announcement for the financial year ended 31 March 2018

Tilt Renewables Limited and its subsidiaries (“Tilt Renewables” or “Group”) released today its financial statements for the year ended 31 March 2018 (“FY18”) together with key highlights and operating metrics for the year. All references to financial information in this release are in Australian dollars.

The FY18 financial result reflects a full year of operations as a standalone business, with the prior period (“FY17”) comparative reflecting a combined 7 months of operating as part of Trustpower and 5 months (31 October 2016 to 31 March 2017) following the demerger, as Tilt Renewables.

Key highlights for FY18

Highlights for the year ending 31 March 2018 include:

- Earnings Before Interest, Tax Depreciation, Amortisation, Fair Value Movements of Financial Instruments (“EBITDAF”) of $103.8 million
- Cash from operating activities of $85.9 million, leaving $19.1 million after debt service
- The 54 MW Salt Creek Wind farm achieved financial close and secured a long-term energy offtake agreement. Construction is on target to be completed in July 2018
- Dundonnell Wind Farm bid into the Victorian Renewable Energy Auction Scheme, potentially enabling a 50% increase in Tilt Renewables’ asset base
- The development pipeline has been expanded to 3,500MW and several projects have progressed toward execution, with planning approvals attained for:
    - 465 MW of solar projects in Queensland and South Australia
    - 130 MW Waverley Wind Farm in New Zealand’s North Island
    - 300 MW Rye Park Wind Farm in New South Wales
- The pipeline has been broadened to include firming/storage technologies that add flexibility and value to the portfolio, with options including battery and pumped hydro energy storage systems
- Tilt Renewables now has more than 2,000 MW of planning approved projects (more than 50% of the total pipeline) across the different states of Australia and New Zealand, covering wind, solar and storage technologies

Business performance in FY18

The Group's wind assets produced 1,796 GWh in FY18, 12% lower than FY17 and 155 GWh below long-term expectations. This reduction was driven in New Zealand by below average wind conditions and in Australia by a combination of below average wind conditions and the impact from constraints put in place by the market operator (AEMO). The low wind conditions across Australia and New Zealand were largely experienced in the June 2017 quarter, with the impact partially offset by improved Australian production in the last three quarters of FY18. Asset reliability levels were robust with availability across the portfolio in line with expectations.

GWh	FY18 actual			FY17 actual			Long-term expectations		
	Aust	NZ	Group	Aust	NZ	Group	Aust	NZ	Group
Electricity production	1,225	571	**1,796**	1,305	744	**2,049**	~1,280	~670	**~1,950**

Sales revenue from electricity and large-scale generation certificates was $158.0 million, 9% lower than the prior period due to the lower production.

EBITDAF was $103.8 million, 16% lower than the prior period.

NPAT for FY18 was $2.8 million loss versus prior period NPAT of $16.4 million profit, the reduction driven by the production impacts and higher depreciation, following an upwards asset revaluation at 31 March 2017.

At 31 March 2018, the Group had net debt of $598 million, including the drawdown of debt to fund construction of the Salt Creek Wind Farm which will start to deliver cashflow from July 2018. Overall gearing remains prudent and unutilised committed funding lines are sufficient to provide flexibility to fund short term requirements.

Tilt Renewables is committed to embedding a strong safety culture at all worksites across the portfolio, including a focus on the safety performance of construction and operations partners. Tilt Renewables had one Lost Time Injury in FY18, resulting in a corresponding increase in Lost Time Injury Frequency Rate compared to prior period.

FY18 result	Units	FY18	FY17	△
Safety – LTIFR (Lost Time Injury Frequency Rate)	Incidents per million hours	3.5	0	3.5
Revenue	AUD $M	158.0	174.5	(9%)
EBITDAF	AUD $M	103.8	124.0	(16%)
Net profit after tax	AUD $M	(2.8)	16.4	(117%)
Basic Earnings Per Share	AUD cps	(0.9)	5.2	(117%)
Net Operating Cashflow after Debt Service	AUD $M	19.1	n/a	n/a
Full year Dividends Per Share	AUD cps	3.05	5.25	n/a

Strategy and market outlook

The last 12 months have seen renewable energy cement its position as the lowest cost option for replacing Australia's ageing fleet of thermal generation. The details of the design of the proposed National Energy Guarantee are still to be worked through, however the discussion has moved towards market structures and technology options that support increased renewables penetration into the Australian electricity market. Tilt Renewables is positioned to benefit from the transition with wind, solar, energy storage and other firming options now part of the development pipeline.

Tilt Renewables continues to reinforce its reputation as a leader in the renewable industry, with a unique platform of high quality operational assets, a diverse portfolio of development options and clear abilities to bring projects to market, leveraging its flexible funding and contracting models. The 54MW Salt Creek Wind Farm, which is in the final stages of construction, demonstrates this flexibility with financial close achieved on a fully merchant investment, leveraging the strength of the existing highly contracted operational portfolio. Subsequently, the project was de-risked via a 12.5 year energy offtake contract with Meridian Energy Australia, positioning the business for flexibility in the next project execution.

This flexible approach has also allowed Tilt Renewables to lodge a fully debt and equity supported bid into the Victorian Government's Renewable Energy Auction Scheme with the 336 MW Dundonnell wind project. If the bid is successful, financial close on this significant project is expected to be reached in late 2018.

The outlook for growth opportunities in New Zealand has also improved over the last 12 months with the business securing a consented North Island option at Waverly and the proposed production uplift at Tiwai Point aluminum smelter expected to lift South Island electricity demand in the near term.

Tilt Renewables now has a development pipeline in Australia of close to 3,000 MW of wind, solar, and storage projects as well as 530 MW of wind projects in New Zealand. This is one of the best development portfolios in the industry which, when combined with the high quality operating assets and internal capability across the asset lifecycle, places the company in an enviable position to benefit from the ongoing focus on renewables within the electricity market. The diversity and flexibility of the Group's development portfolio has been further enhanced with early-stage options for both pumped-hydro and battery storage now included in the portfolio.

Guidance

Owing to the highly contracted nature of the Group's portfolio, Tilt Renewables financial performance is largely dependent on wind conditions experienced across the Group's operating assets. Based on achieving long-term average wind generation and the inclusion of Salt Creek Wind Farm revenue from July 2018, the EBITDAF for the FY19 year is expected to be in the range of $120 to $127 million.

Dividend

The company's operating cashflows remain strong and the Directors have approved a final unfranked and unimputed dividend of 1.80 cents per share, with a record date of 25 May 2018 and payment date of 8 June 2018.

ENDS

For further information please contact:

Steve Symons
Chief Financial Officer
Phone: +61 419 893 746

Notes

1. EBITDAF is a non GAAP financial measure but is commonly used within the energy and infrastructure sectors as a measure of performance as it shows the level of earnings before the impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use this measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.
2. Net debt is a measure of indebtedness to external funding providers net of deposits held with those providers and is defined as bank loans less cash at bank.
3. Balance sheet gearing is defined as net debt over the sum of net debt and net assets.
4. Net Operating Cashflow after Debt Service refers to Net cash from operating activities *less* Net Interest paid, *and less* Repayment of loans.

TILT RENEWABLES LIMITED AND SUBSIDIARIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

Financial statements

Tilt Renewables is pleased to present its audited financial statements. Tilt Renewables demerged from Old Trustpower on 31 October 2016, and for comparative purposes, the prior period financial statements have been prepared as if the demerged Tilt Renewables had been a stand alone entity since 1 April 2016.

The notes to our financial statements have been grouped into the broad categories that the Directors consider most relevant when evaluating the performance of Tilt Renewables. The categories are:

Generation	Notes 3 - 8
Funding	Notes 9 - 11
Equity	Notes 12 - 16
Tax, related parties & other notes	Notes 17 - 22

There is also an appendix, from notes A1 to A19, which contains additional detailed disclosure readers may wish to consider to supplement the disclosures in the primary sections of notes listed above.

There is also a profitability analysis for the generation segments included in note 3.

Note index

Appendix index

Accounting policies can be found throughout the notes to the financial statements and are denoted by a black box surrounding them.

Key metrics

	2018	2017
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments (EBITDAF) ($M)	103,772	124,046
Profit After Tax ($M)	(2,775)	16,371
Underlying earnings after tax ($M) - See note A2	(3,973)	8,621
Basic earnings per share (cents per share)	(0.89)	5.23
Dividends paid during the year (cents per share)	3.50	6.60
Gearing ratio	54%	51%
Generation production		
Australian generation production (GWh)	1,225	1,305
New Zealand generation production (GWh)	571	744
	1,796	**2,049**

Financial statements are presented in AUD functional currency.

	2018	2017
Exchange rate - income statement (average rate)	0.9233	0.9413
Exchange rate - balance sheet (year end rate)	0.9393	0.9135

TILT RENEWABLES LIMITED AND SUBSIDIARIES
DIRECTORS' RESPONSIBILITY STATEMENT
FINANCIAL STATEMENTS 2018

The Directors are pleased to present the financial statements of Tilt Renewables Limited and subsidiaries for the year ended 31 March 2018.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group as at 31 March 2018 and the financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Bruce Harker
Chairman

Fiona Oliver
Director

Company Registration Number 1212113
Dated: 10 May 2018

TILT RENEWABLES LIMITED AND SUBSIDIARIES
INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $000	2017 $000
Operating revenue			
Electricity revenue	3	157,879	174,269
Other operating revenue		78	198
	2	**157,957**	**174,467**
Operating expenses			
Generation costs		31,219	36,285
Employee benefits		8,161	3,853
Other operating expenses	A5	14,804	10,283
		54,185	**50,421**
EBITDAF	A2	**103,772**	**124,046**
Net fair value (gains) / losses on financial instruments	A9	(1,198)	(7,750)
Amortisation of intangible assets		48	12
Depreciation	4	80,146	73,984
Operating profit		**24,776**	**57,800**
Interest paid	10	30,506	32,160
Interest received	10	(1,069)	(272)
Net finance costs		**29,437**	**31,888**
Profit before income tax		**(4,661)**	**25,912**
Income tax (expense) / income	17	1,886	(9,541)
Profit after tax		**(2,775)**	**16,371**
Profit after tax attributable to the shareholders of the Company		**(2,775)**	**16,371**
Basic earnings per share (cents per share)	A3	(0.89)	5.23
Diluted earnings per share (cents per share)	A3	(0.89)	5.23

The accompanying notes form part of these financial statements

TILT RENEWABLES LIMITED AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $000	2017 $000
Profit after tax		**(2,775)**	**16,371**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Revaluation gains on generation assets	12	-	132,603
Other currency translation differences	12	3,097	8,010
Tax effect of the following:			
Revaluation gains on generation assets	12	-	(38,538)
Other currency translation differences	12	(881)	667
Total other comprehensive income		**2,216**	**102,742**
Total comprehensive income		**(559)**	**119,113**
Attributable to shareholders of the Company		**(559)**	**119,113**

The accompanying notes form part of these financial statements

TILT RENEWABLES LIMITED AND SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 $000	2017 $000
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	12	-	-
Revaluation reserve	12	450,148	450,148
Retained earnings	12	65,317	79,047
Share based payments reserve	12	89	-
Foreign currency translation reserve	12	(7,551)	(9,767)
Total equity		**508,003**	**519,428**
Represented by:			
Current assets			
Cash at bank		45,913	27,008
Receivable from related parties	22	2,090	3,281
Accounts receivable and prepayments	A7	31,827	16,549
		79,830	**46,838**
Non-current assets			
Property, plant and equipment	4	1,251,530	1,241,025
Derivative financial instruments	A10	2,471	4,654
Intangible assets	5	597	569
		1,254,598	**1,246,248**
Total assets		**1,334,428**	**1,293,086**
Current liabilities			
Accounts payable and accruals	A8	15,652	9,363
Payable to related parties	22	367	6,238
Borrowings	9	36,781	35,086
Derivative financial instruments	A10	264	1,448
Taxation payable		2,044	7,297
		55,108	**59,432**
Non-current liabilities			
Borrowings	9	602,269	535,675
Derivative financial instruments	A10	5,469	7,666
Accounts payable and accruals	A8	2,837	2,952
Deferred tax liability	18	160,742	167,933
		771,317	**714,226**
Total liabilities		**826,425**	**773,658**
Net assets		**508,003**	**519,428**

The accompanying notes form part of these financial statements

TILT RENEWABLES LIMITED AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Note	Share capital $000	Invested capital $000	Revaluation reserve $000	Foreign currency translation reserve $000	Retained earnings $000	Other reserves $000	Total equity $000
Opening balance as at 1 April 2016		**-**	**87,675**	**356,083**	**(18,444)**	**-**	**-**	**425,314**
Movements 1 April 2016 - 31 October 2016								
Total comprehensive income for the period	12	-	16,489	-	11,504	-	-	27,993
Transactions with owners recorded directly in equity								
Dividends paid	14	-	(11,134)	-	-	-	-	(11,134)
Total transactions with owners recorded directly in equity		**-**	**(11,134)**	**-**	**-**	**-**	**-**	**(11,134)**
Demerger on 31 October 2016		-	(93,030)	-	-	93,030	-	-
Balance as at 31 October 2016		**-**	**-**	**356,083**	**(6,940)**	**93,030**	**-**	**442,173**
Movements 1 November 2016 - 31 March 2017								
Total comprehensive income for the period	12	-	-	94,065	(2,827)	(118)	-	91,120
Settlement of demerger related party charges		-	-	-	-	(4,906)	-	(4,906)
Transactions with owners recorded directly in equity								
Dividends paid	14	-	-	-	-	(8,959)	-	(8,959)
Total transactions with owners recorded directly in equity		**-**	**-**	**-**	**-**	**(8,959)**	**-**	**(8,959)**
Closing balance as at 31 March 2017		**-**	**-**	**450,148**	**(9,767)**	**79,047**	**-**	**519,428**
Movements 1 April 2017 - 31 March 2018								
Total comprehensive income for the period	12	-	-	-	2,216	(2,775)	-	(559)
Transactions with owners recorded directly in equity								
Dividends paid	14	-	-	-	-	(10,954)	-	(10,954)
Share based payments		-	-	-	-	-	89	89
Total transactions with owners recorded directly in equity		**-**	**-**	**-**	**-**	**(10,954)**	**89**	**(10,865)**
Closing balance as at 31 March 2018		**-**	**-**	**450,148**	**(7,551)**	**65,317**	**89**	**508,003**

The accompanying notes form part of these financial statements

TILT RENEWABLES LIMITED AND SUBSIDIARIES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $000	2017 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers (inclusive of GST)		168,335	203,434
		168,335	**203,434**
Cash was applied to:			
Payments to suppliers and employees (inclusive of GST)		69,953	74,870
Taxation paid		12,445	6,407
		82,398	**81,277**
Net cash from operating activities	A13	**85,937**	**122,158**
Cash flows from investing activities			
Cash was provided from:			
Interest received		1,069	272
		1,069	**272**
Cash was applied to:			
Purchase of property, plant and equipment		(83,575)	16,769
Purchase of intangible assets		-	546
		(83,575)	**17,316**
Net cash used in investing activities		**(82,506)**	**(17,044)**
Cash flows from financing activities			
Cash was provided from:			
Secured loan proceeds		100,000	442,477
		100,000	**442,477**
Cash was applied to:			
Repayment of loans		37,380	409,118
Repayment of related parties		5,610	64,594
Interest paid		30,506	32,397
Dividends paid		10,954	20,093
		84,450	**526,202**
Net cash used in financing activities		**15,550**	**(83,724)**
Net increase / (decrease) in cash and cash equivalents		**18,981**	**21,390**
Cash and cash equivalents at beginning of the year		27,008	5,136
Exchange gains/(losses) on cash and cash equivalents		(75)	482
Cash and cash equivalents at end of the year		**45,913**	**27,008**

The accompanying notes form part of these financial statements

TILT RENEWABLES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

NOTE 1: BASIS OF PREPARATION

Reporting entity

The reporting entity is the consolidated group comprising Tilt Renewables Limited and its subsidiaries together referred to as Tilt Renewables. Tilt Renewables Limited is a limited liability company incorporated and domiciled in New Zealand. The principal activities of Tilt Renewables are the development, ownership and operating of electricity generation facilities from renewable energy sources.

Tilt Renewables Limited is registered under the Companies Act 1993, and is listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX). It is an FMC Reporting Entity under the Financial Markets Conducts Act 2013.

The financial statements are presented for the year ended 31 March 2018.

On 31 October 2016, the demerger of Scarlett Limited (previously known as Trustpower Limited, "Old Trustpower") became effective. At this date, all of the assets and liabilities directly related to the development and operation of wind and solar generation assets were transferred to Tilt Renewables. The remaining assets and liabilities, related to the ownership and operation of hydro generation assets and the retail sale of energy and telecommunications services, were transferred to Trustpower Limited.

The financial information presented in these consolidated financial statements is based on actual figures as an independent group after the demerger and carve-out figures prior to the demerger. The carve-out financial information presented in these consolidated financial statements reflects the financial performance of the business units responsible for the development, ownership and operation of wind and solar generation assets (Tilt Renewables). Accordingly, the consolidated statement of financial position as at 31 March 2017, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period November 2016 – March 2017 and the related key figures are based on actual figures as an independent group. The financial information for the periods before 31 October 2016 are a carve-out of the financials for Tilt Renewables from information provided by Old Trustpower.

Basis of preparation

The financial statements are prepared in accordance with:
- The Financial Markets Conduct Act 2013, and NZX equity listing rules.
- New Zealand Generally Accepted Accounting Practice (NZGAAP).
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS).
- Other applicable New Zealand Financial Reporting Standards, as appropriate for profit oriented entities.

The financial statements have been prepared as follows:
- All transactions at the actual amount incurred (historical cost convention), except for generation assets and derivatives which have been revalued to fair value.
- All figures have been reported in Australian Dollars (AUD) and reported to the nearest thousand.

An index to all of the accounting policies is available in note A1. Changes to accounting policies and standards are shown in note A19.

Estimates and judgements made in preparing the financial statements are frequently evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Tilt Renewables makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

Judgements and key assumptions

The areas involving a higher degree of judgement or complexity are disclosed below:
- Fair value of Tilt Renewables generation assets (Note 6)
- Useful lives of generation assets for depreciation (Note 6)
- Fair value of derivatives and other financial instruments (Note A17)

Basis of accounting for the carve-out financial information

The carve-out financial information of Tilt Renewables for the prior year seven month period ended 31 October 2016 has been prepared on a carve-out basis from Old Trustpower's consolidated financial statements, which comply with NZ IFRS, comprising the historical income and expenses, assets and liabilities and cash flows attributable to Tilt Renewables. Tilt Renewables carve-out financial information includes all those legal entities that have historically comprised the Tilt Renewables aspects of Old Trustpower.

Where the operations of Old Trustpower entities transferred in their entirety to Trustpower Limited or Tilt Renewables the financial information of those entities have been assigned wholly to Trustpower Limited or Tilt Renewables respectively. Where the operations of an Old Trustpower entity comprised both the operations of Trustpower Limited and Tilt Renewables the income and expenses have been allocated based on the business units that generated the income and expenditure. Assets and liabilities have been allocated based on methods specific to each line item. Where a line item has required additional adjustments or recalculations an explanation is given below.

The carve-out financial information may not be indicative of Tilt Renewables future performance and it does not necessarily reflect what its combined results of operations, financial position and cash flows would have been have Trustpower operated as an independent group and had it presented standalone financial statements during the periods presented.

The following summarises the main carve-out adjustments and allocations made in preparing the carve-out financial information. The Directors of Tilt Renewables consider that the allocations described below have been made on a reasonable basis but are not necessarily indicative of the costs that would have been incurred if Tilt Renewables had been a standalone entity.

Intercompany transactions and related party transactions
Intercompany transactions and assets and liabilities between Tilt Renewables entities have been eliminated in the carve-out financial information. Transactions with other Old Trustpower companies transferred to Trustpower Limited have been treated as related party transactions. Accounts receivable from and payables to other group companies reflect the accounts receivable and payable between Tilt Renewables entities and Trustpower Limited entities. Some carve-out adjustments have been applied to these balances reflecting the fact that the operations of some Old Trustpower entities were split between Tilt Renewables and Trustpower Limited.

Invested capital
The net assets of Tilt Renewables are represented firstly by share capital, revaluation reserve and foreign currency translation reserve where these components of equity relate directly to the entities comprising of Tilt Renewables. The surplus of net assets over these components of equity is represented by capital invested in Tilt Renewables and shown as "invested capital". The consolidated statement of changes in equity shows that contributed equity is transferred to retained earnings on 31 October 2016.

Financing

Treasury management was centralised within Old Trustpower so that all external debt was held within one New Zealand entity and one Australian entity. Upon demerger all debt facilities of Old Trustpower were refinanced and new debt facilities were implemented by Tilt Renewables and Old Trustpower.

The external debt financing and related interest expenses of the demerging Old Trustpower group that were directly attributable to the operations of Tilt Renewables, were included in the carve-out financial information. This carve-out allocation was also consistent with the debt allocations that occurred upon the implementation of the demerger.

Income tax

Where 100% of the operations of an Old Trustpower entity were transferred to Tilt Renewables or Trustpower Limited, the tax expenses and tax liabilities and receivables in the carve-out financial information is based on actual taxation.

Where the operations of an entity were split between Tilt Renewables and Trustpower Limited the taxes allocated to Tilt Renewables have been recalculated as if it had been a separate taxpayer. The remaining taxes have been allocated to Trustpower.

Dividends

Dividends were allocated to Tilt Renewables based on the dividend policy articulated prior to the demerger. All remaining dividends have been allocated to Trustpower.

NOTE 2: SEGMENT INFORMATION

The leadership team of the group, consisting of the Chief Executive Officer, Chief Financial Officer, General Manager Generation & Trading and the General Manager Renewable Development, examines the group's performance from a geographic perspective and has identified the following reporting segments for the group.

For internal reporting purposes, Tilt Renewables is organised into two reporting segments. The main activities of each segment are:
2.1 Australian generation - the generation of renewable electricity by wind power schemes across Australia.
2.2 New Zealand generation - the generation of renewable electricity by wind power schemes across New Zealand.

The leadership team primarily use a measure of EBITDAF to assess the performance of the operating segments. They also receive information about the segments' revenue, assets and financing on a monthly basis. Information about segment revenue and significant customers is disclosed in note 3.

The segment results for the year ended 31 March 2018 are as follows:

	Generation New Zealand $000	Generation Australia $000	Generation Total $000
Revenue from external customers	**36,235**	**121,722**	**157,957**
EBITDAF	**21,691**	**82,081**	**103,772**
Amortisation of intangible assets	**-**	**48**	**48**
Depreciation	**22,600**	**57,546**	**80,146**
Capital expenditure	**1,844**	**81,731**	**83,575**

The segment results for the year ended 31 March 2017 are as follows:

	Generation New Zealand $000	Generation Australia $000	Generation Total $000
Revenue from external customers	46,765	127,702	174,467
EBITDAF	32,975	91,071	124,046
Amortisation of intangible assets	-	12	12
Depreciation	23,941	50,043	73,984
Capital expenditure	11,473	5,296	16,769

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of the energy and environmental products outlined below in the ordinary course of the Group's activities.

- sale of electricity generated from the Group's wind farms; and
- generation and sale of Large-scale Generation Certificates (LGC's) in Australia. These are recognised at fair value in the period that they are generated.

Revenues are recognised on an accrual basis net of GST unless not recoverable from the taxation authority.

The Group recognises revenue when the amount of revenue can be reliably measured, when the significant risks and rewards of ownership of the products have passed to the buyer, and the Group obtains the right to be compensated.

Revenue is not measured until all sale contingencies have been resolved.

Generation lease revenue

In accordance with UIG 4 Determining whether an Asset Contains a Lease, revenue that is generated under certain power purchase agreements, where Tilt Renewables sells substantially all of the related electricity to one customer, is classified as lease income.

Over 95% of the electricity generated by Tilt Renewables Australian wind farms is sold via power purchase agreements to a large Australian electricity retailer. All of the electricity generated by Tilt Renewables New Zealand assets is sold via a power purchase agreement to Trustpower. These agreements have been deemed as operating leases of the wind farms under NZ IFRS and all revenue under these contracts are accounted for as lease revenue (2018: $150,508,000 2017: $148,509,000).

The volume of energy supplied is dependent on the actual generation of the wind farms, therefore, the future minimum payments under the terms of the contracts, that expire between 31 December 2018 and 31 December 2030, are not able to be quantified with sufficient reliability for disclosure in the financial statements.

NOTE 3: PROFITABILITY ANALYSIS

Tilt Renewables owns 386MW of wind generation assets throughout Australia as well as 196MW of wind generation assets in New Zealand.

Australia

	2018	2017
Operating revenue	**$000**	**$000**
Electricity revenue	73,842	80,146
LGC revenue	47,802	47,358
Net other operating revenue	-	198
	121,644	**127,702**
Operating expenses		
Generation production costs	20,088	26,743
Employee benefits	8,020	2,883
Other operating expenses	11,456	7,005
	39,564	**36,631**
EBITDAF	**82,080**	**91,071**

New Zealand

	2018	2017
Operating revenue	**$000**	**$000**
Electricity revenue	36,313	46,765
	36,313	**46,765**
Operating expenses		
Generation production costs	11,131	9,542
Employee benefits	142	970
Other operating expenses	3,348	3,278
	14,621	**13,790**
EBITDAF	**21,692**	**32,975**

Generation development
An ongoing part of Tilt Renewables business is the development of new generation assets. All costs incurred, prior to our assessment to move forward with the building of a new asset are expensed, including exploration, evaluation and consenting costs. All costs from the point when a project transitions into a build phase are capitalised if appropriate (see note A5 for further details).

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Generation assets include land and buildings which are not separately identifiable from other generation assets. Generation assets were independently revalued, using a discounted cash flow methodology, as at 31 March 2017, to their estimated market value as assessed by an independent expert. Management did not identify any significant changes to the impairment assessment assumptions used in the prior year impairment forecasting model and associated third party reports. See note A15 for historical cost information and see note 6 for details of the fair value of the generation assets.

Other property, plant and equipment assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value amount may not be recoverable

An impairment loss is recognised for the amount by which the asset's carrying value amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of Australian and New Zealand wind farm assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

	Generation assets	Other plant and equipment	WIP	Total
	$000	$000	$000	$000
Opening balance as at 1 April 2016				
Fair value	1,153,180	-	-	1,153,180
Cost	88	6,590	3,465	10,143
Accumulated depreciation	(10)	(1,594)	-	(1,604)
	1,153,258	**4,996**	**3,465**	**1,161,719**
Additions at cost	12,652	894	3,223	16,769
Depreciation	(73,558)	(426)	-	(73,984)
Disposals at net book value	(22)	(39)	-	(61)
Foreign exchange movements	3,977	2	-	3,979
Revaluations	132,571	32	-	132,603
Closing balance as at 31 March 2017				
Fair value	1,228,844	243	-	1,229,087
Cost	34	6,915	6,688	13,637
Accumulated depreciation	-	(1,699)	-	(1,699)
	1,228,878	**5,459**	**6,688**	**1,241,025**
Additions at cost	6,984	68	76,523	83,575
Depreciation	(79,081)	(511)	-	(79,592)
Disposals	-	-	(554)	(554)
Foreign exchange movements	7,071	4	1	7,076
Transfers	-	776	(776)	-
Closing balance as at 31 March 2018				
Fair value	1,242,475	476	-	1,242,951
Cost	30	7,760	81,882	89,672
Accumulated depreciation	(78,653)	(2,440)	-	(81,093)
	1,163,852	**5,796**	**81,882**	**1,251,530**
	-	**-**	**-**	**-**
Closing balance as at 31 March 2018 by country				
Australia	944,103	5,708	81,663	1,031,474
New Zealand	219,749	88	219	220,056
	1,163,852	**5,796**	**81,882**	**1,251,530**
Closing balance as at 31 March 2017 by country				
Australia	995,209	5,360	6,663	1,007,232
New Zealand	233,669	99	25	233,793
	1,228,878	**5,459**	**6,688**	**1,241,025**

Property, plant and equipment

Generation assets are revalued, by independent external valuers, every three years or more frequently if there is evidence of a significant change in value. All other property, plant and equipment is stated at its original cost less depreciation and impairment.

WIP additions in the year primarily relate to the construction costs associated with the Salt Creek wind farm.

Land is not depreciated. Depreciation on all other property, plant and equipment is calculated using the straight-line method at the following rates:

Generation assets	1-8%
Freehold buildings	2%
Plant and equipment	5-33%

NOTE 5: INTANGIBLE ASSETS

In March 2017 Tilt Renewables purchased two solar development projects in Queensland for $546,000.

NOTE 6: KEY ASSUMPTIONS AND JUDGEMENTS

The following assumptions and associated sensitivities formed part of the 2017 fair value assessment. These key assumptions have been reviewed as part of the 2018 fair value assessment exercise and no significant changes have been identified.

Fair value of generation property, plant and equipment

The valuation of Tilt Renewables generation assets is sensitive to the inputs used in the discounted cash flow valuation model.
A sensitivity analysis around some key inputs are given in the table below. The valuation is based on a combination of values that are generally at the midpoint of the range. The valuation impact is calculated as the movement in the fair value as a result of the change in the assumption and keeping all other valuation inputs constant. In addition to the tests below, a separate sensitivity analysis has been conducted to assess the impact of varying future cash flows for increases or decreases of up to 10% in market prices (including New Zealand market prices beyond the fixed price period to March 2022).

Assumption	Low	High	Valuation Impact
Australian Assets			**AUD**
Forward electricity price path (including renewable energy credits) Note: the valuation impact of changes in price path is reduced by the fixed price agreements in place.	Lower South Australia spot prices over a 10-year period (15% below the base case on average), reverting to real $93/MWh beyond 2030	Higher South Australia spot prices over a 10-year period (23% above the base case on average) reflecting current market fundamentals without short-term energy policy intervention	-$57,500,000 / +$77,300,000
Generation volume	10% reduction in future production	10% increase in future production	-/+ $115,400,000
Weighted average cost of capital	7.10%	8.10%	+$40,600,000 / -$38,100,000

New Zealand Assets			**NZD**
Generation volume	10% reduction in future production	10% increase in future production	-/+ $33,900,000
Operating costs	10% increase in future operating expenditure	10% decrease in future operating expenditure	-/+ $9,000,000
Weighted average cost of capital	7.40%	8.40%	+$9,100,000 / -$8,600,000

Some of these inputs are not based on inputs observable in the market, and so under IFRS they are classified within level 2 of the fair value hierarchy. See note A17 for more information of IFRS fair value hierarchy.

Depreciation expense

Management judgment is involved in determining the useful lives of Tilt Renewables generation assets based on engineering knowledge and expertise. The lives of longer lived assets are subject to a greater degree of judgement.

Sensitivity analysis

If the estimated useful lives of generation assets were 10% higher/lower, operating profit for the year would have increased/(decreased) by $6,725,818/$(7,398,400) (2017: $6,445,000/$(7,089,000)).

NOTE 7: BUSINESS COMBINATIONS

No business combinations in the year ended 31 March 2018. In March 2017, Tilt Renewables purchased two solar development projects in Queensland for $546,000.

NOTE 8: FINANCIAL RISK MANAGEMENT - GENERATION

Exchange rate risk

Tilt Renewables typically contracts with local and international suppliers when building a new generation asset. Some of these suppliers may require payment to be made in a foreign currency. To manage the risk of a moving foreign exchange rate, Tilt Renewables will fully hedge large transactions in accordance with Tilt Renewables treasury policy. The total notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2018 was $Nil (31 March 2017: $Nil).

Electricity price risk

In Australia over 95% and in New Zealand 100% of output is contracted to large retailers which ensures Tilt Renewables receives a fixed price for this portion of its generation. This risk management strategy assumes that the current electricity wholesale markets operating in New Zealand and Australia, including the renewable energy credit market, will continue to do so in the future. There is a possibility that future regulatory intervention may fundamentally alter the structure of these markets. The likelihood and potential impact of such a change is unquantifiable. However, such an occurrence would likely necessitate a change to Tilt Renewables's electricity price risk management policies and require a review of assets and liabilities held at fair value where electricity price is a key assumption in their value.

Volume risk

In both Australia and New Zealand, 100% of generation comes from wind farms that depend on weather conditions which vary significantly from year to year. Tilt Renewables accepts that this risk will cause a degree of volatility to its earnings and does not attempt to mitigate it.

Credit risk

A large proportion of the Australian and New Zealand revenue comes from three counterparties.

In Australia, one of these is the Australian Electricity Market Operator and the other is a major electricity retailer which holds an investment grade credit rating. As at 31 March 2018 $22,841,452 was owed to Tilt Renewables by these Australian counterparties (31 March 2017: $10,151,407).

In New Zealand the sole counterparty is Trustpower. As at 31 March 2017, for electricity generation, $2,090,445 was owed to Tilt Renewables by Trustpower (31 March 2017: $3,167,369).

Damage to generation assets risk

There is potential for Tilt Renewables to sustain major losses through damage to its generation plant and the resulting loss of earnings. The major portion of this risk has been mitigated by taking out appropriate insurance policies with insurers of high creditworthiness. This insurance covers both the repair and or replacement of the plant as well as the lost earnings.

Funding

This section details the borrowings of Tilt Renewables.

Tilt Renewables is debt funded by a combination of bank facilities in New Zealand and Australia and this section should be read in conjunction with the equity section.

This section includes the following notes:
Note 9: Borrowings
Note 10: Finance income and costs
Note 11: Financial risk management - funding

NOTE 9: BORROWINGS

On 7 September 2016, Tilt Renewables signed financing documents in order to enable the funding of the demerger from Old Trustpower. These financing documents included a new syndicated bank debt facility along with the continuation of the EKF Facilities which were historically used to fund a number of the Tilt Renewables operating wind farms. These facilities were drawn down at implementation of the demerger on 31 October 2016 for the purpose of refinancing Old Trustpower debt. In addition to the facilities which were drawn down upon ar demerger, there is also an additional expansion facility which was drawn down in the year to fund the Salt Creek wind farm construction project.

At 31 March 2018 Tilt Renewables has drawn down secured loan borrowings against the following facilities.

	2018	2017
	$000	**$000**
Facility & associated borrowing limit - AUD		
Facility A - expiry date: 31 October 2019	172,803	182,108
Facility B - expiry date: 31 October 2020	170,956	178,129
EKF Facility I - expiry date: 30 November 2032	146,997	155,298
EKF Facility II - expiry date: 12 July 2021	26,044	32,566
EKF Facility III - expiry date: 30 November 2026	26,614	28,928
Expansion Facility - expiry date: 31 October 2021	100,000	100,000
Working capital facility	15,000	15,000
	658,414	**692,029**

	2018		
			Secured loans
	New Zealand dollar facilities #	**Australian dollar facilities**	**Total bank facilities**
	$000	**$000**	**$000**
Repayment terms:			
Less than one year	14,617	24,065	**38,682**
One to two years	15,194	177,781	**192,975**
Two to five years	82,080	213,226	**295,306**
Over five years	10,959	105,492	**116,451**
Facility establishment costs	(831)	(3,534)	**(4,365)**
	122,019	**517,031**	**639,050**
Current portion	14,255	22,526	**36,781**
Non-current portion	107,764	494,505	**602,269**
	122,019	**517,031**	**639,050**
Undrawn facilities			
Less than one year	-	-	**-**
One to two years	-	-	**-**
Two to five years	-	15,000	**15,000**
Over five years	-	-	**-**
	-	**15,000**	**15,000**
Weighted average interest:			
Less than one year	4.0%	3.4%	
One to two years	4.4%	3.9%	
Two to five years	5.2%	4.8%	
Over five years	5.7%	5.1%	

	2017		
			Secured loans
	New Zealand dollar facilities #	**Australian dollar facilities**	**Total bank facilities**
	$000	**$000**	**$000**
Repayment terms:			
Less than one year	13,957	23,030	**36,987**
One to two years	14,216	24,065	**38,281**
Two to five years	91,557	282,707	**374,264**
Over five years	13,703	113,793	**127,496**
Facility establishment costs	(1,075)	(5,192)	**(6,267)**
	132,358	**438,403**	**570,761**
Current portion	13,631	21,455	**35,086**
Non-current portion	118,727	416,948	**535,675**
	132,358	**438,403**	**570,761**
Undrawn facilities			
Less than one year	-	-	**-**
One to two years	-	-	**-**
Two to five years	-	115,000	**115,000**
Over five years	-	-	**-**
	-	**115,000**	**115,000**
Weighted average interest:			
Less than one year	3.9%	3.8%	
One to two years	4.4%	3.8%	
Two to five years	5.3%	3.5%	
Over five years	5.7%	4.5%	

New Zealand dollar facilities are drawn down and repaid in NZD. In the financial statements the New Zealand dollar facilities are presented in AUD.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method.

Facility establishment costs are amortised over the life and debt profile of the borrowings facility.

The fair value of Tilt Renewables bank loans and bonds is not materially different to the carrying values above.

NOTE 10: FINANCE INCOME AND COSTS

	2018 $000	2017 $000
Interest paid on bank loans	24,250	21,842
Other interest costs and fees	6,256	10,318
Total interest expense	**30,506**	**32,160**
Interest received on cash at bank	1,069	272
Total interest income	**1,069**	**272**

There was no capitalised interest in the year ended 31 March 2018 (31 March 2017: $Nil).

NOTE 11: FINANCIAL RISK MANAGEMENT - FUNDING

Interest rate risk

All of Tilt Renewables borrowings are a series of floating interest rate facilities. Tilt Renewables uses Interest Rate Swaps (IRS) to fix the interest costs of the Group. This stabilises Tilt Renewables debt servicing costs. However for every dollar of debt protected against a potential rise in market interest rates, that same dollar is unable to take advantage of a potential fall in market interest rates. Payments made or received by IRS are recognised as a part of "Interest paid on bank loans", except for an immaterial number of these IRS which are instead hedge accounted.

Liquidity risk

The Group's ability to readily attract cost effective funding is largely driven by its credit standing.

Prudent liquidity risk management requires maintaining sufficient cash, marketable securities or unutilised committed credit facilities to provide cover for reasonably conceivable adverse conditions. The Group operates under a Board approved treasury policy which dictates the level of available committed facilities to be maintained. This is measured by forecasting debt levels under various adverse scenarios and comparing this to committed facility levels.

Exchange rate risk

As at 31 March 2018, approximately 19% of Tilt Renewables debt is denominated in New Zealand dollars (31 March 2017 - approximately 23%).

Refinancing risk

From time to time Tilt Renewables debt facilities mature and need to be refinanced. There is a risk that this could occur during adverse market conditions resulting in increased interest rates or, in extreme events, a complete inability to refinance. The Treasury Policy requires a spread of debt maturities to minimise the impact of this risk should it occur. This is measured by the proportion of debt maturing in various time bands.

Credit risk

Tilt Renewables Australian and New Zealand dollar facilities are with institutions that all have a Standard & Poor's long-term credit rating of A+ or higher.

Equity

This section outlines the equity structure of Tilt Renewables.

Tilt Renewables is listed on the New Zealand Stock Exchange under the code TLT. Tilt Renewables has over 11,000 shareholders, the two largest shareholders are Infratil Limited (51.04%) and the Tauranga Energy Consumer Trust (26.8%).

This section includes the following notes:

Note 12: Equity
Note 13: Share capital
Note 14: Dividends on ordinary shares
Note 15: Imputation and franking credit account
Note 16: Financial risk management - equity

NOTE 12: EQUITY

	Note	Share capital $000	Invested capital $000	Revaluation reserve $000	Foreign currency translation reserve $000	Retained earnings $000	Other reserves $000	Total equity $000
Opening balance as at 1 April 2016		**-**	**87,675**	**356,083**	**(18,444)**	**-**	**-**	**425,314**
Movements 1 April 2016 - 31 October 2016								
Profit after tax attributable to the shareholders of the Company		-	16,489	-	-	-	-	16,489
Other comprehensive income - items that may be reclassified to the								
Other currency translation differences		-	-	-	10,837	-	-	10,837
Tax effect of the following:								
Other currency translation differences		-	-	-	667	-	-	667
Total other comprehensive income		**-**	**-**	**-**	**11,504**	**-**	**-**	**11,504**
Transactions with owners recorded directly in equity								
Dividends paid		-	(11,134)	-	-	-	-	(11,134)
Total transactions with owners recorded directly in equity		**-**	**(11,134)**	**-**	**-**	**-**	**-**	**(11,134)**
Demerger on 31 October 2016		-	(93,030)	-	-	93,030	-	-
Balance as at 31 October 2016		**-**	**-**	**356,083**	**(6,940)**	**93,030**	**-**	**442,173**
Movements 1 November 2016 - 31 March 2017								
Profit after tax attributable to the shareholders of the Company		-	-	-	-	(118)	-	(118)
Other comprehensive income - items that may be reclassified to the								
Revaluation gains on generation assets		-	-	132,603	-	-	-	132,603
Other currency translation differences		-	-	-	(2,827)	-	-	(2,827)
Tax effect of the following:								
Revaluation gains on generation assets		-	-	(38,538)	-	-	-	(38,538)
Other currency translation differences		-	-	-	-	-	-	-
Total other comprehensive income		**-**	**-**	**94,065**	**(2,827)**	**(118)**	**-**	**91,120**
Settlement of demerger related party charges		-	-	-	-	(4,906)	-	(4,906)
Transactions with owners recorded directly in equity								
Dividends paid		-	-	-	-	(8,959)	-	(8,959)
Total transactions with owners recorded directly in equity		**-**	**-**	**-**	**-**	**(8,959)**	**-**	**(8,959)**
Closing balance as at 31 March 2017		**-**	**-**	**450,148**	**(9,767)**	**79,047**	**-**	**519,428**
Opening balance as at 1 April 2017		**-**	**-**	**450,148**	**(9,767)**	**79,047**	**-**	**519,428**
Movements 1 April 2017 - 31 March 2018								
Profit after tax attributable to the shareholders of the Company		-	-	-	-	(2,775)	-	(2,775)
Other comprehensive income - items that may be reclassified to the profit or loss								
Revaluation gains on generation assets		-	-	-	-	-	-	-
Other currency translation differences		-	-	-	3,097	-	-	3,097
						-	-	
Tax effect of the following:								
Revaluation gains on generation assets		-	-	-	-	-	-	-
Other currency translation differences		-	-	-	(881)	-	-	(881)
Total other comprehensive income		**-**	**-**	**-**	**2,216**	**(2,775)**	**-**	**(559)**
Transactions with owners recorded directly in equity								
Dividends paid		-	-	-	-	(10,954)	-	(10,954)
Share based payments		-	-	-	-	-	89	89
Total transactions with owners recorded directly in equity		**-**	**-**	**-**	**-**	**(10,954)**	**89**	**(10,865)**
Closing balance as at 31 March 2018		**-**	**-**	**450,148**	**(7,551)**	**65,317**	**89**	**508,003**

NOTE 13: SHARE CAPITAL	**2018**	**2017**	**2018**	**2017**
	000's of shares	**000's of shares**	**$000**	**$000**
Authorised and issued ordinary shares at beginning of period	312,973	-	-	-
Shares issued on demerger	-	312,973	-	-
	312,973	**312,973**	**-**	**-**

All shares rank equally with one vote per share, have no par value and are fully paid.

On 31 October 2016 a Court Approved Scheme of Arrangement was implemented to effect the demerger of Trustpower Limited whereby Trustpower Limited was liquidated and the shareholders of Trustpower Limited received an in specie distribution of one Tilt Renewables Limited and one New Trustpower share for every share that they held in Old Trustpower.

NOTE 14: DIVIDENDS ON ORDINARY SHARES	**2018**	**2017**	**2018**	**2017**
	Cents per share	**Cents per share**	**$000**	**$000**
Final dividend prior period	2.25	3.60	7,042	11,134
Interim dividend paid current period	1.25	3.00	3,912	8,959
	3.50	**6.60**	**10,954**	**20,093**
Final dividend declared subsequent to the end of the reporting period payable 8 June 2018 to all shareholders on the register at 25 May 2018.	**1.80**	**2.25**	**5,634**	**7,042**

Dividend distribution

Dividends payable to Tilt Renewables shareholders are recognised as a liability in the financial statements in the period in which the dividend is approved by the Board.

NOTE 15: IMPUTATION AND FRANKING CREDIT ACCOUNT	**2018**	**2017**
	$000	**$000**
Imputation credits available for use in subsequent reporting periods	423	376
Franking credits available for use in subsequent reporting periods	27,323	25,507
	27,746	**25,883**

The above amounts represent the balance of these accounts as at the end of the reporting period, adjusted for respective credits that will arise from the payment of the amount of taxation payable.

NOTE 16: FINANCIAL RISK MANAGEMENT - EQUITY

Capital risk management objectives

When managing capital, Tilt Renewables objectives are to ensure sufficient funds are available to pay liabilities when they fall due and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Tilt Renewables has discretion to adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Tilt Renewables monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by net debt plus equity.

The gearing ratio is calculated below:	Note	**2018**	**2017**
		$000	**$000**
Net debt			
Bank and other debt	9	639,050	570,761
Cash and cash equivalents		(45,913)	(27,008)
		593,137	**543,753**
Equity			
Total equity		508,003	519,428
		508,003	**519,428**
Total capital funding		**1,101,140**	**1,063,181**
Gearing ratio		54%	51%

Tax, related party and other notes

This section details tax disclosures, contingent liabilities, operating lease commitments and related party transactions.

Tilt Renewables' wholly owned New Zealand resident subsidiaries are not members of a consolidated group for New Zealand tax purposes. Tilt Renewables' wholly owned Australian resident subsidiaries are currently members of a consolidated group for Australian tax purposes.

Tilt Renewables' wholly owned subsidiaries are not in a group of companies for New Zealand or Australia GST purposes.

This section includes the following notes:
Note 17: Income tax expense
Note 18: Deferred income tax
Note 19: Key assumptions and judgements - tax
Note 20: Contingent liabilities and subsequent events
Note 21: Other commitments
Note 22: Related party transactions

NOTE 17: INCOME TAX EXPENSE	**2018**	**2017**
	$000	**$000**
Profit before income tax	(4,661)	25,912
Tax on profit	**(1,398)**	**7,774**
Tax effect of non-assessable revenue	98	1,856
Reconciliation difference between tax jurisdictions	134	(89)
Income tax over/(under) provided in prior year	(720)	-
	(1,886)	**9,541**
Represented by:		
Current tax	6,188	13,914
Deferred tax	(8,074)	(4,373)
	(1,886)	**9,541**

A corporate tax rate of 28% is payable by New Zealand corporate entities on taxable profit under New Zealand tax law. A corporate tax rate of 30% is payable by Australian corporate entities on taxable profit under Australian tax law.

NOTE 18: DEFERRED INCOME TAX

	2018 $000	2017 $000
Balance at beginning of period	167,933	134,357
Current year changes in temporary differences recognised in profit or loss	(8,074)	(4,373)
Current year changes in temporary differences recognised in other comprehensive income	-	38,538
Reclassification of prior year temporary differences	2	-
Exchange rate movements on foreign denominated deferred tax	881	(589)
Total deferred tax liabilities	**160,742**	**167,933**
Comprising:		
Deferred tax liabilities to be recovered after more than 12 months	152,551	162,624
Deferred tax liabilities to be recovered within 12 months	8,191	5,309
	160,742	**167,933**

The tables below show the break down of the temporary differences that make up the deferred tax liabilities and their movement for the year.

For the year ended 31 March 2018 ($000)	**Opening balance**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Closing balance**
Revaluations	186,344	-	681	187,025
Other property, plant and equipment movements	(16,685)	(8,696)	223	(25,158)
Employee benefits	(26)	(70)	-	(96)
Financial instruments	(1,373)	376	14	(983)
Unrealised losses on Australian dollar loan	-	-	-	-
Other	(327)	318	(38)	(47)
	167,933	**(8,072)**	**881**	**160,742**

For the year ended 31 March 2017 ($000)	**Opening balance**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Closing balance**
Revaluations	147,806	-	38,538	186,344
Other property, plant and equipment movements	(10,441)	(6,333)	89	(16,685)
Employee benefits	(13)	(13)	-	(26)
Financial instruments	(3,662)	2,289	-	(1,373)
Unrealised losses on Australian dollar loan	667	-	(667)	-
Other	-	(316)	(11)	(327)
	134,357	**(4,373)**	**37,949**	**167,933**

NOTE 19: KEY ASSUMPTIONS AND JUDGEMENTS - TAX

The Group is subject to income taxes in Australia and New Zealand.

Tax consolidation
Tilt Renewables' wholly owned New Zealand resident subsidiaries are not members of a consolidated group for New Zealand tax purposes. Tilt Renewables' wholly owned Australian resident subsidiaries are currently members of a consolidated group for Australian tax purposes.

Tilt Renewables' wholly owned subsidiaries are not in a group of companies for Australia GST purposes and they are in a group of companies for New Zealand GST purposes.

Current tax
Current tax expense is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Applicable tax rates and laws are enacted.

Deferred tax
Deferred tax expense is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities and the corresponding tax base of these items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductable temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that future taxable amounts will be available.

Deferred tax assets and liabilities are measured at expected tax rates and enacted tax laws at the applicable reporting date.

Deferred tax is recognised for taxable temporary differences between accounting carrying value amounts and tax bases of assets and liabilities.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to equity items where it is recognised as an equity transaction.

Deferred tax assets and liabilities are offset when relating to the same tax authority and the Group intends to settle current tax assets and liabilities on a net basis.

Tax returns for Tilt Renewables and the detailed calculations that are required for filing tax returns are not prepared until after the financial statements are prepared. Estimates of these calculations are made for the purpose of calculating income tax expense, current tax and deferred tax balances. As well as this, an assessment of the result of tax audit issues is also made. Any difference between the final tax outcomes and the estimations made in previous years will affect current year balances.

NOTE 20: CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

The Group is not aware of any material contingent liabilities at the balance date that have not been disclosed elsewhere in these financial statements (2017: $Nil).

Other than disclosed in note 21 the Group is not party to any material operating leases at balance date (2017: $Nil).

The Group is not aware of any other significant events that have occurred subsequent to balance date but prior to the signing of these financial statements.

NOTE 21: OTHER COMMITMENTS

	2018	2017
Operating leases	**$000**	**$000**
Not later than 1 year	2,464	2,495
Later than 1 year and not later than 5 years	8,188	8,959
Later than 5 years	**22,672**	24,373
Total operating lease commitments	**33,324**	**35,827**

Operating lease commitments relate to development project option payments; operating asset minimum generation payments and the rental agreement for the Tilt Renewables corporate office in Melbourne.

NOTE 22: RELATED PARTY TRANSACTIONS

Key management personnel compensation

	2018	2017
	$000	**$000**
Annual remuneration	2,430	962
	2,430	**962**

Transactions with other related parties

	2018	2017
	$000	**$000**
Sales and purchases of goods and services		
Supply of electricity to related parties	36,235	17,275
Purchase of management services from parent	126	14
Purchase of management services from related party	15	297
Other transactions		
Settlement of demerger transactions with related party	(1,145)	6,452

Outstanding balances with other related parties

	2018	2017
Sales and purchases of goods and services		
Supply of electricity and services to related parties	2,090	3,281
Purchase of management services from parent	4	-
Other transactions		
Settlement of demerger transactions with related party	-	6,238
Management services from parent	367	-

Shareholders
Tilt Renewables is controlled by Infratil Limited (incorporated in New Zealand) which owns 51.0% of Tilt Renewables Limited's voting shares. The Tauranga Energy Consumer Trust owns 26.8% and the residual balance of 22.2% is widely held.

H.R.L. Morrison & Co Limited manages Infratil Limited where the following Board members of Tilt Renewables Limited hold senior executive positions.

Mr B. Harker
Mr P. Newfield
Mr V Vallabh

Other transactions represent the current estimate of final settlement transactions owed to Trustpower.

Except as noted above, no transactions took place with related parties during the year. All transactions with related parties took place on an arm's length basis. No related party debts were forgiven or written off during the year (2017: $Nil), and there are no amounts outstanding at 31 March 2018 (2017: $Nil).

APPENDIX

NOTE A1: SIGNIFICANT ACCOUNTING POLICIES INDEX

Policy	Note
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Apart from note A18, accounting policies are denoted by the box surrounding them.

NOTE A2: NON-GAAP MEASURES

Underlying earnings after tax

	Note	2018 $000	2017 $000
Profit after tax attributable to the shareholders of the Company ($000)		**(2,775)**	**16,371**
Fair value losses / (gains) on financial instruments	A9	(1,198)	(7,750)
Adjustments before income tax		**(1,198)**	**(7,750)**
Adjustments after income tax		**-**	**-**
Underlying earnings after tax		**(3,973)**	**8,621**

Underlying earnings is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Tilt Renewables believes that this measure is an important additional financial measure to disclose as it excludes movements in the fair value of financial instruments which can be volatile year to year depending on movement in long term interest rate and or electricity future prices. Also excluded in this measure are items considered to be one off and not related to core business such as changes to the company tax rate or gain/impairment of generation assets.

Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments and asset impairments (EBITDAF)

EBITDAF is a non-GAAP financial measure but is commonly used within the electricity industry as a measure of performance as it shows the level of earnings before the impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.

NOTE A3: EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of Tilt Renewables Limited by the weighted average number of ordinary shares on issue during the year.

	2018	2017
Profit after tax attributable to the shareholders of the Company ($000)	(2,775)	16,371
Weighted average number of ordinary shares in issue ('000s)	312,973	312,973
Basic earnings per share (cents per share)	**(0.89)**	**5.23**
Diluted earnings per share (cents per share)	**(0.89)**	**5.23**
Underlying earnings after tax ($000)	(3,973)	8,621
Weighted average number of ordinary shares in issue ('000s)	312,973	312,973
Underlying earnings per share (cents per share)	**(1.27)**	**2.75**

NOTE A4: NET TANGIBLE ASSETS PER SHARE

	Note	2018	2017
Total net assets		508,003	519,428
Less intangible assets		(597)	(569)
Net tangible assets attributed to shareholders		507,406	518,859
Number of ordinary shares in issue (thousands)	13	312,973	312,973
Net tangible assets per share (dollars per share)		**1.62**	**1.66**

NOTE A5: OTHER OPERATING EXPENSES

	Note	2018 $000	2017 $000
Remuneration of auditors	A6	468	220
Directors' fees		685	279
Donations		26	29
Generation development expenditure		8,277	4,556
Bank facility and commitment costs		420	434
Other administration costs		4,928	4,765
		14,804	**10,283**

NOTE A6: REMUNERATION OF AUDITORS

During the year the following fees were payable to the auditors of Tilt Renewables, PricewaterhouseCoopers:	2018 $000	2017 $000
Audit and other assurance services		
Audit services	180	157
Other assurance services	34	9
	214	166
Taxation services		
Tax compliance services and review of company income tax returns	49	15
	49	15
Other services		
Benchmarking services	13	-
Other consulting services	192	39
	205	39
Total other services	254	54
Total remuneration of PricewaterhouseCoopers	**468**	**220**

NOTE A7: ACCOUNTS RECEIVABLE AND PREPAYMENTS

Current portion:	2018 $000	2017 $000
Electricity market receivables	17,933	14,750
Other receivables and prepayments	13,894	1,799
	31,827	**16,549**

Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that Tilt Renewables will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the income statement. The criteria that Tilt Renewables uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- Trustpower, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; and
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

NOTE A8: ACCOUNTS PAYABLE AND ACCRUALS

Current portion	2018 $000	2017 $000
Employee entitlements	932	307
Interest accruals	3,181	3,728
GST payable	1,920	1,105
Other accounts payable and accruals	9,619	4,223
	15,652	**9,363**
Non-current portion		
Other accounts payable and accruals	2,837	2,952
	2,837	**2,952**

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTE A9: FAIR VALUE (GAINS)/LOSSES ON FINANCIAL INSTRUMENTS

The changes in the fair value of financial instruments recognised in the income statement for the year to 31 March 2018 are summarised below:

Recognised in the income statement	2018 $000	2017 $000
Interest rate derivatives	(1,198)	(7,750)
	(1,198)	**(7,750)**

NOTE A10: DERIVATIVE FINANCIAL INSTRUMENTS

Current	2018 $000	2017 $000
Interest rate derivative assets	-	-
	-	**-**
Interest rate derivative liabilities	264	1,448
	264	**1,448**
Non-current		
Interest rate derivative assets	2,471	4,654
	2,471	**4,654**
Interest rate derivative liabilities	5,469	7,666
	5,469	**7,666**

NOTE A11: INVESTMENTS IN SUBSIDIARIES

		Country of incorporation and place of business	*% owned by Tilt Renewables Ltd*		*Nature of business*
	Parent and Group				
	Significant subsidiaries (31 March balance dates)		**2018**	**2017**	
#	Tilt Renewables Australia Pty Ltd	Australia	100	100	Holding company
# ^	Tilt Renewables Financing Partnership	Australia	100	100	Financial services
#	Tilt Renewables Market Services Pty Ltd	Australia	100	100	Financial services
#	Tilt Renewables Investments Pty Ltd	Australia	100	100	Financial services
#	Snowtown South Wind Farm Pty Ltd	Australia	100	100	Electricity generation
#	Snowtown Wind Farm Pty Ltd	Australia	100	100	Electricity generation
#	Snowtown Wind Farm Stage 2 Pty Ltd	Australia	100	100	Electricity generation
#	Blayney and Crookwell WindFarm Pty Ltd	Australia	100	100	Electricity generation
#	Tararua Wind Power Limited	New Zealand	100	100	Electricity generation and generation development
#	Church Lane Wind Farm Pty Ltd	Australia	100	100	Generation development
#	Dundonnell Wind Farm Pty Ltd	Australia	100	100	Generation development
#	Salt Creek Wind Farm Pty Ltd	Australia	100	100	Generation development
#	Wingeel Wind Farm Pty Ltd	Australia	100	100	Generation development
#	Waddi Wind Farm Pty Ltd	Australia	100	100	Generation development
#	Rye Park Renewable Energy Pty Ltd	Australia	100	100	Generation development
#	Nebo 1 Pty Ltd	Australia	100	100	Generation development
#	Dysart 1 Pty Ltd	Australia	100	100	Generation development
	Snowtown North Solar Pty Ltd - incorporated 11 December 2017	Australia	100	-	Generation development

Entered into a Deed of Cross Guarantee with Tilt Renewables Limited removing the requirement for the preparation of separate financial statements where preparation of a separate financial statement is required (refer to Note A12).

^ On 31 March 2017, Tilt Renewables Limited transferred its Limited Partner interest in the Tilt Renewables Financing Partnership to Tilt Renewables Investments Pty Ltd.

Except as noted under note 9 there are no other guarantees or restrictions that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the Group.

NOTE A12: DEED OF CROSS GUARANTEE

A Deed of Cross Guarantee was entered into on 31 March 2017.

Note A11 outlines the entities that are parties to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed.

The following entity is not included in the Deed of Cross Guarantee.

- Snowtown North Solar Pty Ltd

No consolidated income statement or statement of financial position has been prepared for the legal entities which are parties to the Deed of Cross Guarantee as all excluded legal entities are shell companies in nature.

NOTE A13: RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH PROFIT AFTER TAX ATTRIBUTABLE TO THE SHAREHOLDERS	**2018 $000**	**2017 $000**
Profit after tax	**(2,775)**	**16,371**
Items classified as investing/financing		
Interest paid	30,506	32,160
Interest received	(1,069)	(272)
	29,437	**31,888**
Non-cash items:		
Amortisation of intangible assets	48	12
Depreciation	80,146	73,984
Share based staff remuneration	89	-
Movement in derivative financial instruments taken to the income statement	(1,198)	(7,750)
Increase/(decrease) in deferred tax liability excluding transfers to reserves	(7,192)	(4,373)
	71,893	**61,874**
Decrease/(increase) in working capital:		
Accounts receivable and prepayments	(14,087)	6,540
Taxation payable/receivable	(5,253)	6,349
Accounts payable, accruals excluding capital expenditure accruals	6,722	(865)
	(12,618)	**12,025**
Net cash from operating activities	**85,937**	**122,158**

NOTE A14: EMPLOYEE SHARE BASED COMPENSATION

Members of Tilt Renewables senior executive team and certain other employees (together defined as key management personnel) are eligible to participate in the Performance Rights Plan. The scheme which was implemented on 3 February 2017 is defined as follows:

Each performance right entitles the participants to have one fully paid share in Tilt Renewables transferred or issued to the participant, subject to the satisfaction of the applicable performance conditions and the terms and conditions of the plan.

	2018 # of rights	2017 # of rights
Number of performance rights		
Outstanding at the beginning of the year	-	-
Granted during the period	1,519,463	-
Forfeited during the period	(699,987)	-
Exercised during the period	-	-
Outstanding at the end of the year	**819,476**	**-**

	2018 $000	2017 $000
Share based payments	**89**	**-**

NOTE A15: PROPERTY, PLANT AND EQUIPMENT AT HISTORICAL COST

If generation assets were stated on an historical cost basis, the amounts would be as follows:

	2018 $000	2017 $000
Generation assets (at cost)	1,030,914	1,023,243
Generation assets accumulated depreciation	(377,096)	(340,152)
	653,818	**683,091**

NOTE A16: FINANCIAL RISK MANAGEMENT

Financial risk management information has been included in notes 8 and 11.

(a) Liquidity risk

The tables below analyse Tilt Renewables financial liabilities excluding gross settled derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the period end date. The amounts in the tables are contractual undiscounted cash flows.

	Less than 1 month $000	1-6 months $000	6-12 months $000	Over 1 year $000
As at 31 March 2018				
Net settled interest rate derivatives	**-**	**100**	**164**	**5,469**
Accounts payable and accruals	**15,473**	**81**	**98**	**2,837**
Secured loans	**-**	**18,809**	**19,873**	**619,732**
Total	**15,473**	**18,990**	**20,134**	**628,038**
As at 31 March 2017				
Net settled interest rate derivatives	-	822	626	7,666
Accounts payable and accruals	9,184	81	98	2,952
Secured loans	-	14,911	18,945	658,173
Total	**9,184**	**15,814**	**19,669**	**668,791**

(b) Interest rate risk

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 31 March 2018 was $519,775,000 (2017: $482,216,350).

Interest payment transactions are expected to occur at various dates between one month and nine years from the end of the reporting period consistent with Tilt Renewables forecast total borrowings.

Weighted average interest rates for Tilt Renewables are disclosed in note 9.

Sensitivity analysis

At 31 March 2018, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year and other components of equity would have been adjusted by the amounts in the table below, as a result of the fair value change in interest rate derivative instruments.

	2018 $000	2017 $000
Increase/(decrease) to profit of a 100 basis point decrease in interest rates	(11,875)	(14,075)
Increase to profit of a 100 basis point increase in interest rates	11,295	13,325
Increase/(decrease) to equity of a 100 basis point decrease in interest rates	(11,875)	(14,075)
Increase/ to equity of a 100 basis point increase in interest rates	11,295	13,325

Fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

NOTE A17: FAIR VALUE MEASUREMENT

Estimation of fair values

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

- The fair value of other financial assets and liabilities are calculated using discounted cash flow analysis based on market-quoted rates.

- The fair value of derivative financial instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve or available forward price data for the duration of the instruments.

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used by the valuation techniques are:
- forward price curve (as described below); and
- discount rates.

Valuation Input	*Source*
- Interest rate forward price curve to value interest rate swaps	- Published market swap rates
- Discount rate for valuing interest rate derivatives	- Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Tilt Renewables for liabilities.

If the discount rate for valuing electricity price derivatives increased/decreased by 1% then the fair value of the electricity price derivatives would have decreased/increased by an immaterial amount.

The selection of variables requires significant judgement and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair value of these derivatives. Maximum use is made of observable market data when selecting variables and developing assumptions for the valuation techniques. See earlier in this note for sensitivity analysis.

NZ IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy which represents the level of judgement and estimation applied in valuing the instrument:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as priced) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

There were no transfers between level 1, 2 and 3 assets or liabilities within the fair value hierarchy (2017: $Nil).

The fair value for generation assets is disclosed in note 4.

The following tables present Tilt Renewables financial assets and liabilities that are measured at fair value.

	Level 1	**Level 2**	**Level 3**	**Total**
31 March 2018	**$000**	**$000**	**$000**	**$000**
Assets per the statement of financial position				
Interest rate derivative assets	-	2,471	-	2,471
	-	**2,471**	**-**	**2,471**
Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	5,733	-	5,733
	-	**5,733**	**-**	**5,733**
31 March 2017				
Assets per the statement of financial position				
Interest rate derivative assets	-	4,654	-	4,654
	-	**4,654**	**-**	**4,654**
Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	9,114	-	9,114
	-	**9,114**	**-**	**9,114**

NOTE A18: FINANCIAL INSTRUMENTS BY CATEGORY

31 March 2018 **Assets per the statement of financial position**	**Loans and receivables** **$000**	**Assets at fair value through profit or loss** **$000**	**Derivatives used for hedging** **$000**	**Assets held to maturity** **$000**
Derivative financial instruments	-	2,471	-	-
Trade and other receivables excluding prepayments	31,827	-	-	-
Cash and cash equivalents	45,913	-	-	-
	77,740	**2,471**	**-**	**-**
31 March 2017				
Assets per the statement of financial position				
Derivative financial instruments	-	4,654	-	-
Trade and other receivables excluding prepayments	16,549	-	-	-
Cash and cash equivalents	27,008	-	-	-
	43,557	**4,654**	**-**	**-**

31 March 2018 **Liabilities per the statement of financial position**	**Liabilities at fair value through profit or loss** **$000**	**Derivatives used for hedging** **$000**	**Other financial liabilities at amortised cost** **$000**
Secured loans	-	-	639,050
Derivative financial instruments	5,733	-	-
Trade and other payables	-	-	18,489
	5,733	**-**	**657,539**
31 March 2017			
Liabilities per the statement of financial position			
Unsecured bank loans including bank overdrafts	-	-	570,761
Derivative financial instruments	9,114	-	-
Trade and other payables	-	-	12,315
	9,114	**-**	**583,076**

See notes A16 and A17 for details on fair value estimation.

NOTE A19: SUPPLEMENTARY ACCOUNTING INFORMATION

A19.1 Cash flow statement

The following are the definitions used in the cash flow statement:

- cash is considered to be cash on hand and deposits held at call with banks, net of bank overdrafts
- operating activities include all activities that are not investing or financing activities
- investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and investments in subsidiaries
- financing activities are those activities, which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities

A19.2 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian currency units (AUD), which is Tilt Renewables functional and presentation currency.

A19.3 Adoption status of relevant new financial reporting standards and interpretations

No new standards and amendments to standards were applied during the period.

The following new standards have been issued but are not yet effective:

NZ IFRS 9 Financial Instruments	NZ IFRS 9 Financial Instruments, published in July 2014, replaces the existing guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from NZ IAS 39. NZ IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group does not apply hedge accounting and is still assessing the impact to the financial statements related to the adoption of NZ IFRS 9.
NZ IFRS 15 Revenue from Contracts with Customers	NZ IFRS 15 Revenue from Contracts with Customers, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. NZ IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group has undertaken a project to assess the impact of NZ IFRS 15 and has determined that it is unlikely to have a material impact on the Company Financial Statements.
NZ IFRS 16 Leases	NZ IFRS 16 Leases, removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Group has $33.3m of operating lease commitments as at 31 March 2018 which are not currently shown in the balance sheet.

There are no other NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on Tilt Renewables.

Independent auditor's report

To the shareholders of Tilt Renewables Limited

The consolidated financial statements comprise:

- the statement of financial position as at 31 March 2018;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Tilt Renewables Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

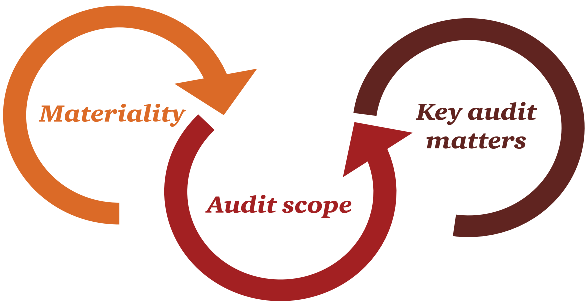
We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of tax compliance and other consulting services. The provision of these other services has not impaired our independence as auditor of the Group.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Our audit approach

An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



Materiality

- For the purpose of our audit we used overall Group materiality of $2.1 million, which represents approximately 2% of the Group's Earnings before Interest, Tax, Depreciation, Amortisation and Fair value movements on financial instruments (EBITDAF).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the consolidated financial statements as a whole.
- We chose Group EBITDAF because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark.
- We selected 2% based on our professional judgement noting that it is also within the range of commonly acceptable profit related thresholds.

Audit scope

- Our audit focused on where the Directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group has operations and assets across Australia and New Zealand, with its head office based in Melbourne, where we performed most of our procedures.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matter to the Audit and Risk Committee:
  - Carrying value of Generation assets

This is further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Carrying value of generation assets *Refer note 4 & 6 ($1,163.9m)* Generation assets are carried at fair value and the Group's policy is that they are re-valued at least every 3 years by an independent valuer. As a result of the demerger in the prior year, the Directors obtained an independent valuation of generation assets as at 31 March 2017. In 2018, the Directors have determined that there has been no substantial changes to the key assumptions used in the valuation methodology and these assumptions remain appropriate as at 31 March 2018. The valuation of generation assets requires a number of significant assumptions, including assumptions about forward electricity prices, future generation volumes, forecast operating costs and the rate used to discount future cash flows. All of these assumptions involve judgements about the future. This was a key audit matter due to the significance of generation assets and the judgement required in determining the key assumptions.	Our procedures included: • We considered the key assumptions used in the 2017 valuation and assessed if there were any indicators that these had significantly changed. This included the following: ○ Compared the forward electricity price path used for the 2017 valuation to current externally derived market forecast data. ○ Compared the future generation volumes to the historical actual levels achieved. ○ Considered if there were any changes to the operating cost structure of generation sites that may impact the expected future cash flows by comparing forecast operating costs with historical actual operating costs incurred. ○ Assessed the discount rates used in the valuation by comparing them to our view of an acceptable range based on market data, comparable companies and industry research. We compared the forecast cash flows for 2018 used in the 2017 valuation model with the 2018 actuals, as well as the 2019 forecast with the most recent Board approved budget.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:
https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

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Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Charles Christie.

For and on behalf of:

Chartered Accountants | Melbourne
10 May 2018

I, Charles Christie am currently a member of the Institute of Chartered Accountants in Australia and my membership number is 77665.

PricewaterhouseCoopers was the audit firm appointed to undertake the audit of Tilt Renewables Limited for the year ended 31 March 2018. I was responsible for the execution of the audit and delivery of our firm's auditor's report. The audit work was completed on 10 May 2018 and an unqualified opinion was issued.

Charles Christie
Partner