

# WE ARE GEN TILT





## FINANCIAL STATEMENTS

Tilt Renewables is pleased to present its audited financial statements.

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 3-9
- **Funding:** Notes 10-12
- **Equity:** Notes 13-16
- **Tax, related parties and other notes:** Notes 17-23

There is also an appendix, from Notes A1 to A16, 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.

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

## KEY METRICS

<b>Our key metrics</b>	<b>2019</b>	<b>2018</b>
Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF) (\$M)	134,791	103,772
Profit After Tax (\$M)	12,179	16,931
Underlying earnings after tax (\$M) – see Note A2	14,159	(9,330)
Basic earnings per share (cents per share) – see Note A3	2.59	5.41
Dividends paid during the year (cents per share)	3.40	3.50
Gearing ratio	48%	54%
<b>Generation production</b>		
Australian generation production (GWh)	1,395	1,225
New Zealand generation production (GWh)	659	571
	<b>2,054</b>	<b>1,796</b>
Financial statements are presented in AUD functional currency		
Exchange rate (NZD) – income statement (average rate)	0.9333	0.9233
Exchange rate (NZD) – balance sheet (year end rate)	0.9577	0.9393

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are pleased to present the financial statements of Tilt Renewables Limited and subsidiaries for the year ended 31 March 2019.

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 2019, and the financial performance and cash flows for the year ended on that date.

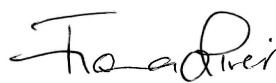
The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

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.



**Paul Newfield**  
Director



**Fiona Oliver**  
Director

Company Registration Number 1212113  
Dated: 8 May 2019

# INDEPENDENT AUDITORS REPORT

## To the shareholders of Tilt Renewables Limited

We have audited the consolidated financial statements which comprise:

- the statement of financial position as at 31 March 2019;
- 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 cashflow statement for the year then ended; and
- the notes to the consolidated 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 2019, 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

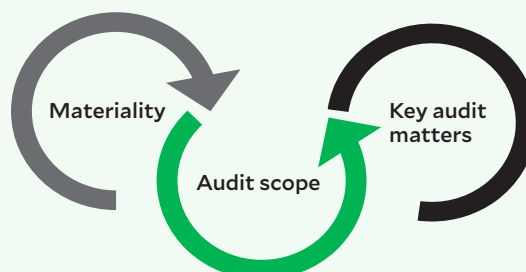
We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements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

## Our audit approach



### Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: \$2.5 million, which represents approximately 2% of the Group's Earnings before Interest, Tax, Depreciation, Amortisation and Fair value movements on financial instruments (EBITDAF).

We chose EBITDAF as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We used a 2% threshold based on our judgement, noting it is within the range of commonly acceptable thresholds.

We have determined that there are two key audit matters and we communicated these to the Audit and Risk Committee:

- Carrying value of generation assets
- Derivative accounting for Australian power purchase agreement (PPA's)

### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

### Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.





We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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

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

*Carrying value of generation assets [Note 4 - \$1,066.7m]*

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.

Due to a decrease in the long term forecast Australian LGC and electricity prices, a valuation of the carrying value of Australian generation assets was performed in the year ended 31 March 2019.

The valuation of Australian generation assets required 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 involved 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.

#### How our audit addressed the key audit matter

Our procedures included:

- Compared the forward electricity price path used for the revaluation to current externally derived market forecast data.
- Compared the estimates of the future generation volumes to the historical actual levels achieved and industry data.
- Considered if there were any changes to the operating cost structure of generation sites that may impact the expected future cashflows 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 2019 used in the 2018 valuation model with the 2019 actuals, as well as the 2020 forecast with the most recent Board approved budget.

#### Key audit matter

*Derivative accounting for Australian power purchase agreements (PPA's) [Note A10 - \$102.6m]*

The majority of Australian electricity PPA's are net settled between the Group and energy retailers, due to the mechanism of the Australian energy market which requires electricity to be sold and purchased through the Australia Energy Market Operator (AEMO).

The Group have considered how the industry accounting has shifted in regards to the net settlement with AEMO and have updated their accounting policy in line with other industry players to recognise the Australian electricity PPA's as a derivative.

As a result of the change in accounting policy a retrospective adjustment has been posted reclassifying \$58.942m from the carrying value of the generation assets to a separate derivative.

The valuation of Australian PPA required a number of significant assumptions, including assumptions about forward electricity prices, future generation volumes, credit adjustments, premiums and the rate used to discount future cash flows. All of these assumptions involved judgements about the future. This was a key audit matter due to the judgement required in determining the key assumptions.

#### How our audit addressed the key audit matter

Our procedures performed, included:

- Compared future expected cash flows used in the derivative valuation to signed PPA contracts.
- Compared the forward electricity price path used in the derivative valuation to current externally derived market forecast data.
- Compared the estimate of the future generation volumes used in the derivative valuation to the historical actual levels achieved and industry data.
- Assessed the discount rates used in the derivative valuation by comparing them to our view of an acceptable range based on market data, comparable companies and industry research.

- Reconciled the disclosure and retrospective restatement within the consolidated financial statements to the derivative valuation.

### Information other than the financial statements and auditor's report

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2019, but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included Key Metrics and the Directors' Responsibility Statement. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will 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.

When we read the other information not yet received as at the date of signing this report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

### 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.

### Who we report to

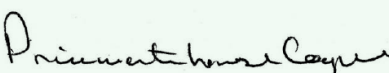
This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility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



**Charles Christie**  
Partner

For and on behalf of:



**Chartered Accountants, Melbourne**  
8 May 2019



# INCOME STATEMENT

	Note	2019 \$000	2018 \$000*
<b>Operating revenue</b>			
Electricity revenue		192,871	157,879
Other operating revenue		402	78
	2	<b>193,273</b>	<b>157,957</b>
<b>Operating expenses</b>			
Generation costs		37,811	31,219
Employee benefits		8,298	8,161
Other operating expenses	A5	12,373	14,804
	3	<b>58,482</b>	<b>54,185</b>
<b>Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)</b>	3	<b>134,791</b>	<b>103,772</b>
Net fair value losses/(gains) on financial instruments	A10	1,980	(26,261)
Amortisation of intangible assets		-	48
Depreciation	4	83,568	77,058
<b>Operating profit</b>		<b>49,243</b>	<b>52,927</b>
Interest paid	11	31,392	30,506
Interest received	11	(1,261)	(1,069)
Net finance costs		<b>30,131</b>	<b>29,437</b>
<b>Profit before income tax</b>		<b>19,112</b>	<b>23,490</b>
Income tax expense	17	(6,933)	(6,559)
<b>Profit after tax</b>		<b>12,179</b>	<b>16,931</b>
Profit after tax attributable to the shareholders of the Group		<b>12,179</b>	<b>16,931</b>
Basic earnings per share (cents per share)	A3	2.59	5.41
Diluted earnings per share (cents per share)	A3	2.59	5.41

The accompanying notes form part of these financial statements.

\* Certain 2018 amounts have been restated to reflect adjustments relating to Note A9.

## STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 \$000	2018 \$000*
Profit after tax		12,179	16,931
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Other currency translation differences		2,415	3,097
Fair value changes in financial instruments	A10	(27,585)	-
Tax effect of the following			
Other currency translation differences		(725)	(881)
Fair value changes in financial instruments		8,276	-
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Revaluation losses on generation assets		(140,153)	(25,063)
Tax effect of the following:			
Revaluation losses on generation assets		41,734	7,519
<b>Total other comprehensive (expense)</b>		<b>(116,038)</b>	<b>(15,329)</b>
<b>Total comprehensive (expense)/income</b>		<b>(103,859)</b>	<b>1,603</b>
Attributable to shareholders of the Group		(103,859)	1,603

The accompanying notes form part of these financial statements.

\* Certain 2018 amounts have been restated to reflect adjustments relating to Note A9.

# STATEMENT OF FINANCIAL POSITION

	Note	2019 \$000	2018 \$000*	2017 \$000*
<b>Equity</b>				
<i>Capital and reserves attributable to shareholders of the Group</i>				
Share capital	13	259,933	-	-
Revaluation reserve		292,927	391,345	408,889
Foreign currency translation reserve		(5,861)	(7,551)	(9,767)
Retained earnings		127,821	126,282	120,306
Cash flow hedge reserve		(19,310)	-	-
Other reserves		466	89	-
<b>Total equity</b>		<b>655,976</b>	<b>510,165</b>	<b>519,428</b>
<i>Represented by:</i>				
<b>Current assets</b>				
Cash at bank	7	94,940	45,913	27,008
Financial assets	7	225,468	-	-
Receivable from related parties	21	4,121	2,090	3,281
Accounts receivable and prepayments	A7	26,710	31,827	16,549
Financial instruments	A10	289	-	-
Taxation receivable		653	-	-
		<b>352,181</b>	<b>79,830</b>	<b>46,838</b>
<b>Non-current assets</b>				
Property, plant and equipment	4	1,066,727	1,170,613	1,182,083
Financial instruments	A10	113,320	100,504	92,352
Intangible assets	6	546	597	569
		<b>1,180,593</b>	<b>1,271,714</b>	<b>1,275,004</b>
<b>Total assets</b>		<b>1,532,774</b>	<b>1,351,544</b>	<b>1,321,842</b>
<b>Current liabilities</b>				
Accounts payable and accruals	A8	16,515	15,652	9,363
Payable to related parties	21	-	367	6,238
Borrowings	10	191,758	36,781	35,086
Financial instruments	A10	19,794	14,292	26,511
Taxation payable		-	2,044	7,297
		<b>228,067</b>	<b>69,136</b>	<b>84,495</b>
<b>Non-current liabilities</b>				
Borrowings	10	497,948	602,269	535,675
Financial instruments	A10	42,810	5,469	11,359
Accounts payable and accruals	A8	2,694	2,837	2,952
Deferred tax liability	18	105,279	161,668	167,933
		<b>648,731</b>	<b>772,243</b>	<b>717,919</b>
<b>Total liabilities</b>		<b>876,798</b>	<b>841,379</b>	<b>802,414</b>
<b>Net assets</b>		<b>655,976</b>	<b>510,165</b>	<b>519,428</b>

The accompanying notes form part of these financial statements.

\* Certain prior year amounts have been restated to reflect adjustments relating to Note A9.

# STATEMENT OF CHANGES IN EQUITY

	Capital \$000	Revaluation reserve \$000	Foreign currency translation reserve \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Other reserves \$000	Total equity \$000
<b>Opening balance as at 1 April 2017</b>	-	450,148	(9,767)	79,047	-	-	519,428
Power purchase agreement adjustment, net of tax (refer to Note A9)	-	(41,259)	-	41,259	-	-	-
<b>Opening balance as at 1 April 2017 (restated)*</b>	-	408,889	(9,767)	120,306	-	-	519,428
Profit for the period	-	-	-	16,931	-	-	16,931
<b>Other comprehensive income</b>							
Revaluation movement on generation assets	-	(25,063)	-	-	-	-	(25,063)
Other currency translation differences	-	-	3,097	-	-	-	3,097
Tax effect of the following:							
Revaluation movements on generation assets	-	7,519	-	-	-	-	7,519
Other currency translation differences	-	-	(881)	-	-	-	(881)
<b>Total other comprehensive income</b>	-	(17,544)	2,216	16,931	-	-	1,603
<b>Transactions with owners recorded directly in equity</b>							
Dividends paid	-	-	-	(10,954)	-	-	(10,954)
Share based payments expenses	-	-	-	-	-	89	89
<b>Total transactions with owners recorded directly in equity</b>	-	-	-	(10,954)	-	89	(10,865)
<b>Closing balance as at 31 March 2018 (restated)*</b>	-	391,345	(7,551)	126,283	-	89	510,165
<b>Opening balance as at 1 April 2018 (restated)*</b>	-	391,345	(7,551)	126,283	-	89	510,165
<b>Movements 1 April 2018 – 31 March 2019</b>							
Profit for the period	-	-	-	12,179	-	-	12,179
<b>Other comprehensive income</b>							
Revaluation movement on generation assets	-	(140,153)	-	-	-	-	(140,153)
Other currency translation differences	-	-	2,415	-	-	-	2,415
Fair value changes in financial instruments	-	-	-	-	(27,585)	-	(27,585)
Tax effect of the following:							
Revaluation movements on generation assets	-	41,734	-	-	-	-	41,734
Other currency translation differences	-	-	(725)	-	-	-	(725)
Fair value changes in financial instruments	-	-	-	-	8,276	-	8,276
<b>Total other comprehensive income</b>	-	(98,418)	1,690	12,179	(19,310)	-	(103,858)
<b>Transactions with owners recorded directly in equity</b>							
Contributed equity	259,933	-	-	-	-	-	259,933
Dividends paid	-	-	-	(10,641)	-	-	(10,641)
Share based payments expenses	-	-	-	-	-	377	377
<b>Total transactions with owners recorded directly in equity</b>	259,933	-	-	(10,641)	-	377	249,669
<b>Closing balance as at 31 March 2019</b>	259,933	292,927	(5,861)	127,821	(19,310)	466	655,976

\* Certain 2018 amounts have been restated to reflect adjustments relating to Note A9.

# CASH FLOW STATEMENT

	Note	2019 \$000	2018 \$000*
<b>Cash flows from operating activities</b>			
<i>Cash was provided from</i>			
Receipts from customers (inclusive of GST)		230,630	168,335
		<b>230,630</b>	<b>168,335</b>
<i>Cash was applied to</i>			
Payments to suppliers and employees (inclusive of GST)		103,879	69,953
Taxation paid		14,387	12,445
		<b>118,266</b>	<b>82,398</b>
<b>Net cash from operating activities</b>	A13	<b>112,364</b>	<b>85,937</b>
<b>Cash flows from investing activities</b>			
<i>Cash was provided from</i>			
Interest received		1,261	1,069
		<b>1,261</b>	<b>1,069</b>
<i>Cash was applied to</i>			
Purchase of property, plant and equipment		90,841	83,575
		90,841	83,575
<b>Net cash used in investing activities</b>		<b>(89,580)</b>	<b>(82,506)</b>
<b>Cash flows from financing activities</b>			
<i>Cash was provided from</i>			
Secured loan proceeds		70,097	100,000
Issue of shares		259,933	-
		<b>330,030</b>	<b>100,000</b>
<i>Cash was applied to</i>			
Repayment of loans		38,969	37,380
Repayment of related parties		-	5,610
Term deposits and restricted cash		225,468	-
Interest paid		28,593	30,506
Dividends paid		10,642	10,954
		<b>303,672</b>	<b>84,450</b>
<b>Net cash from financing activities</b>		<b>26,358</b>	<b>15,550</b>
<b>Net increase in cash and cash equivalents</b>		<b>49,142</b>	<b>18,981</b>
Cash and cash equivalents at beginning of the year		45,913	27,008
Exchange losses on cash and cash equivalents		(115)	(75)
<b>Cash and cash equivalents at end of the year</b>		<b>94,940</b>	<b>45,913</b>

The accompanying notes form part of these financial statements.

\* Certain 2018 amounts have been restated to reflect adjustments relating to Note A9.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 as well as the trading of electricity and associated products 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 2019.

### Basis of preparation

The financial statements are prepared in accordance with:

- The accounting policies and methods of computation in the most recent annual financial statements
- 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 A16.

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.

### New and amended standards adopted by the Group

A number of new amended standards became applicable for the current reporting period as a result of adopting the following standards:

- NZ IFRS 9 Financial Instruments
- NZ IFRS 15 Revenue from Contracts with Customers

There is no material impact to financial statements on the adoption of the above standards.

### Impact of standards issued but not yet applied by the Group

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. Refer to Note A16.3 for the impact to the Group.



## Note 1: Basis of preparation (continued)

### 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 4)
- Useful lives of generation assets for depreciation (Note 4)
- Fair value of derivatives and other financial instruments (Note A10)

## 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 segments. The main activities of each segment are:

**Australian generation** – the generation of electricity by wind generation assets across Australia.

**New Zealand generation** – the generation of electricity by wind generation assets 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 2019 are as follows:

	Generation New Zealand \$000	Generation Australia \$000	Generation Total \$000
Revenue from external customers	41,974	151,299	193,273
<b>Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)</b>	25,296	109,495	134,791
Depreciation	21,814	61,754	83,568
Capital expenditure	2,580	116,024	118,604

### 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	36,313	121,644	157,957
<b>Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)</b>	21,691	82,081	103,772
Depreciation	22,600	57,546	80,146
Capital expenditure	1,844	81,731	83,575

## Note 2: Segment information (continued)

### 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
- 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, upon satisfaction of contractually binding performance obligations.

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

In accordance with UIG 4 Determining whether an Asset Contains a Lease, revenue that is generated via non net settled power purchase agreements is classified as lease income.

Revenue that is generated via net settled power purchase agreements is fair valued and classified as a derivatives. Refer to Notes A9 and A10.

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 by 31 December 2030, are not able to be quantified with sufficient reliability for disclosure in the financial statements.

## GENERATION

This section details the generation of Tilt Renewables.

This section includes the following notes:

- **Note 3:** Profitability analysis
- **Note 4:** Property, plant and equipment
- **Note 5:** Key assumptions and judgements
- **Note 6:** Intangible assets
- **Note 7:** Cash and financial assets
- **Note 8:** Business combination
- **Note 9:** Financial risk management - generation

### Note 3: Profitability analysis

Tilt Renewables owns 440MW of wind generation assets throughout Australia as well as 196MW of wind generation assets in New Zealand.

Australia	2019 \$000	2018 \$000
<b>Operating revenue</b>		
Electricity revenue	86,391	73,842
LGC revenue	64,908	47,802
	<b>151,299</b>	<b>121,644</b>
<b>Operating expenses</b>		
Generation production costs	25,918	20,088
Employee benefits	8,058	8,020
Other operating expenses	7,828	11,456
	<b>41,804</b>	<b>39,564</b>
<b>Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)</b>	<b>109,495</b>	<b>82,081</b>

### Note 3: Profitability analysis (continued)

New Zealand	2019 \$000	2018 \$000
<b>Operating revenue</b>		
Electricity revenue	41,974	36,313
	<b>41,974</b>	<b>36,313</b>
<b>Operating expenses</b>		
Generation production costs	11,893	11,131
Employee benefits	241	142
Other operating expenses	4,544	3,348
	<b>16,678</b>	<b>14,621</b>
<b>Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)</b>	<b>25,296</b>	<b>21,692</b>

#### 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. In the year when a project transitions into a build phase, all costs incurred in that year 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. 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 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.

The Australian generation assets were independently revalued, using a discounted cash flow methodology, as at 30 September 2018, 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 30 September 2018 impairment forecasting model and associated third party reports. See Note A15 for historical cost information.

## Note 4: Property, plant and equipment (continued)

	Generation assets \$000	Other plant and equipment \$000	WIP \$000	Total \$000
<b>Opening balance as at 1 April 2017</b>				
Fair value	1,228,844	243	-	1,229,087
Cost	34	6,915	6,688	13,637
Accumulated depreciation	-	(1,699)	-	(1,699)
<b>Net book amount</b>	<b>1,228,878</b>	<b>5,459</b>	<b>6,688</b>	<b>1,241,025</b>
<i>Opening net book amount</i>				
Additions at cost	6,984	68	76,523	83,575
Depreciation	(79,081)	(511)	-	(79,592)
Disposals at net book value	-	-	(554)	(554)
Foreign exchange movements	7,071	4	1	7,076
Transfers	-	776	(776)	-
Power purchase agreement adjustment, net of tax (refer to Note A9)	(80,959)	42	-	(80,917)
<b>Closing balance as at 31 March 2018 – restated*</b>				-
Fair value	1,158,457	497	-	1,158,954
Cost	-	7,794	81,882	89,676
Accumulated depreciation	(75,564)	(2,452)	-	(78,016)
<b>Net book amount</b>	<b>1,082,893</b>	<b>5,838</b>	<b>81,882</b>	<b>1,170,613</b>
<i>Opening net book amount</i>				
Additions at cost	25,653	185	91,909	117,747
Depreciation	(80,994)	(836)	-	(81,830)
Disposals at net book value	(1,711)	-	(27)	(1,738)
Foreign exchange movements	2,082	1	4	2,087
Transfers	92,116	3,989	(96,105)	-
Revaluations	(140,153)	-	-	(140,153)
<b>Closing balance as at 31 March 2019</b>				
Fair value	1,052,301	12,128	-	1,064,429
Cost	-	-	77,664	77,664
Accumulated depreciation	(72,414)	(2,951)	-	(75,365)
<b>Net book amount</b>	<b>979,887</b>	<b>9,177</b>	<b>77,664</b>	<b>1,066,727</b>
<b>Closing balance as at 31 March 2019 by country</b>				
Australia	775,409	9,093	77,658	862,160
New Zealand	204,478	84	6	204,568
	<b>979,887</b>	<b>9,177</b>	<b>77,664</b>	<b>1,066,728</b>
<b>Closing balance as at 31 March 2018 by country – restated*</b>				
Australia	863,144	5,750	81,663	950,557
New Zealand	219,749	88	219	220,056
	<b>1,082,893</b>	<b>5,838</b>	<b>81,882</b>	<b>1,170,613</b>

\* Certain 2018 amounts have been restated to reflect adjustments relating to Note A9.

#### Note 4: Property, plant and equipment (continued)

Generation assets are revalued, by independent external valuers, every three years or more frequently if there is evidence of a significant change in value. 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%

During HY19, due to an acceleration in the decline of the Large Scale Generation Certificates (LGC'S) forward price curve, and a decline in the electricity forward curve, the Australian assets were revalued, resulting in a carrying value reduction of \$128.5M at 30 September 2018. 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 Dundonnell wind farm project.

Other property, plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2019 \$000	2018 \$000
<b>Transmission line</b>		
Cost	22,655	-
Accumulated depreciation	(629)	-
<b>Net book amount</b>	<b>22,026</b>	<b>-</b>

#### 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, see Note 5.

## Note 5: Key assumptions and judgements

The following assumptions and associated sensitivities formed part of the 2019 fair value assessment. These key assumptions have been reviewed as part of the 2019 fair value assessment exercise and no significant changes have been identified.

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
<b>Australian Assets</b>			<b>AUD \$000</b>
Forward electricity price path (including renewable energy credits)	10% reduction in future electricity pricing	10% increase in future electricity pricing	- \$83,594 / + \$83,594
Generation volume	10% reduction in future production	10% increase in future production	- \$87,066 / + \$87,066
Operating costs	10% increase in future operating expenditure	10% decrease in future operating expenditure	- \$29,746 / + \$29,746
Discount rate post tax	7.75%	6.75%	- \$28,205 / + \$30,181
<b>New Zealand Assets</b>			<b>NZD \$000</b>
Generation volume	10% reduction in future production	10% increase in future production	- \$24,114 / + \$24,008
Operating costs	10% increase in future operating expenditure	10% decrease in future operating expenditure	- \$9,088 / + \$9,088
Discount rate post tax	8.40%	7.40%	- \$6,608 / + \$6,292

Some of these inputs are not based on inputs observable in the market, and so under IFRS they are classified within Level 3 of the fair value hierarchy. See Note A16 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.

If the estimated useful lives of generation assets were 10% higher/lower, operating profit for the year would have increased/(decreased) by \$4,811,000/\$(5,880,000) (2018: \$6,725,818/\$(7,398,400)).



## Note 6: Intangible assets

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

## Note 7: Cash and financial assets

	2019 \$000	2018 \$000
Cash at bank	94,940	45,913
Financial assets	225,468	-
	<b>320,408</b>	<b>45,913</b>

Financial assets disclosed in the balance sheet and in the statement of cash flows include term deposits and margin account restricted cash balances. These amounts are not repayable on demand or readily convertible into cash, however they will be recovered within the next twelve months. The margin account restricted cash balance of \$16.5M is held in an electricity trading margin call account, and is not available for general use by the other entities within the Group.

## Note 8: Business combinations

There were no business combinations in the year ended 31 March 2019 or in the year ended 31 March 2018.

## Note 9: 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 2019 was \$Nil (31 March 2018: \$Nil).

### Electricity price risk

In Australia over 75% and in New Zealand 100% of output is contracted to electricity 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.

### 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 four counterparties.

In Australia, one of these is the Australian Electricity Market Operator and the other two are major electricity retailers.

In New Zealand the sole counterparty is Trustpower, a major electricity retailer.

### Damage to generation assets risk

There is potential for Tilt Renewables to sustain significant 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.

## 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 10:** Borrowings
- **Note 11:** Finance income and costs
- **Note 12:** Financial risk management – funding

### Note 10: Borrowings

Tilt Renewables borrows under a syndicated bank debt facility. The facility requires Tilt Renewables to operate within defined performance and debt gearing ratios. The borrowing arrangements may also create restrictions over the sale or disposal of certain assets unless lender consent is obtained. Throughout the period Tilt Renewables has complied with all debt covenant requirements in these agreements.

On 14 November 2018, Tilt Renewables signed the Dundonnell Wind Farm syndicated facility agreement to fund the construction of the Dundonnell Wind Farm which reached financial close in November 2018.

At 31 March 2019 Tilt Renewables has secured loan borrowings against the following facilities:

	2019 \$000	2018 \$000
<b>Facility and associated borrowing limit - AUD</b>		
Facility A – expiry date: 31 October 2019	162,845	172,803
Facility B – expiry date: 31 October 2020	162,399	170,956
EKF Facility I – expiry date: 30 November 2032	138,696	146,997
EKF Facility II – expiry date: 12 July 2021	18,967	26,044
EKF Facility III – expiry date: 30 November 2026	23,943	26,614
Expansion Facility – expiry date: 31 October 2021	100,000	100,000
Dundonnell Syndicated Facility – expiry date: 13 November 2023	113,333	-
Dundonnell EKF Facility – expiry date: 21 March 2037	186,667	-
Working capital facility	15,000	15,000
	<b>921,850</b>	<b>658,414</b>

## Note 10: Borrowings (continued)

	2019 Loans			
	New Zealand dollar facilities # \$000	Australian dollar facilities \$000	Finance lease liability \$000	Total loans \$000
<b>Repayment terms</b>				
Less than one year	15,491	177,780	1,578	194,849
One to two years	73,507	99,018	1,489	174,014
Two to five years	13,370	192,606	4,189	210,165
Over five years	7,981	97,191	15,657	120,829
Facility establishment costs	(361)	(9,790)	-	(10,151)
	<b>109,988</b>	<b>556,805</b>	<b>22,913</b>	<b>689,706</b>
Current portion	15,211	174,969	1,578	191,758
Non-current portion	94,777	381,836	21,335	497,948
	<b>109,988</b>	<b>556,805</b>	<b>22,913</b>	<b>689,706</b>
<b>Undrawn facilities</b>				
Less than one year	-	15,000	-	15,000
One to two years	-	7,602	-	7,602
Two to five years	-	59,125	-	59,125
Over five years	-	163,176	-	163,176
	<b>-</b>	<b>244,903</b>	<b>-</b>	<b>244,903</b>
<b>Weighted average interest</b>				
Less than one year	3.0%	4.5%		
One to two years	2.9%	4.9%		
Two to five years	3.4%	5.5%		
Over five years	4.0%	5.3%		

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

## Note 10: Borrowings (continued)

	2018 Loans			
	New Zealand dollar facilities # \$000	Australian dollar facilities \$000	Finance lease liability \$000	Total loans \$000
<b>Repayment terms</b>				
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)
	<b>122,019</b>	<b>517,031</b>	<b>-</b>	<b>639,050</b>
Current portion	14,255	22,526	-	36,781
Non-current portion	107,764	494,505	-	602,269
	<b>122,019</b>	<b>517,031</b>	<b>-</b>	<b>639,050</b>
<b>Undrawn facilities</b>				
Less than one year	-	-	-	-
One to two years	-	15,000	-	15,000
Two to five years	-	-	-	-
Over five years	-	-	-	-
	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>
<b>Weighted average interest</b>				
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%		

# 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 11: Finance income and costs

	2019 \$000	2018 \$000
Interest paid on bank loans	24,569	24,250
Other finance costs and fees	6,823	6,256
<b>Total interest expense</b>	<b>31,392</b>	<b>30,506</b>
Interest received on cash at bank	1,261	1,069
<b>Total interest income</b>	<b>1,261</b>	<b>1,069</b>

Capitalised interest in the year ended 31 March 2019 associated with the Dundonnell Wind Farm syndicated facility totalled \$930,956 (31 March 2018: \$Nil).

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

All other finance costs are recognised in profit or loss in the period in which they are incurred. Finance costs comprise interest expense on borrowings calculated using the effective interest method, amortisation of borrowing costs relating to long-term financing facilities and gains and losses on certain hedging instruments that are recognised in profit or loss.

## Note 12: 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 2019, approximately 16% of Tilt Renewables debt is denominated in New Zealand dollars (31 March 2018: approximately 19%).

### 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.

## Note 12: Financial risk management – funding (continued)

### Credit risk

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

Credit risk exposure is managed using credit risk management policies which provide credit exposure limits based on the credit worthiness of counterparties. Tilt Renewables exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Derivative counterparties are limited to organisations in the energy industry. Tilt Renewables also utilises International Swaps and Derivative Association (ISDA) agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties. The carrying amount of the financial assets recognised in the financial statements, which is net of impairment losses, represents the maximum exposure to credit risk.

## 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 8,000 shareholders, the two largest shareholders are Infratil Limited (65.34%) and Mercury NZ Limited (19.99%).

This section includes the following notes:

- **Note 13:** Share capital
- **Note 14:** Dividends
- **Note 15:** Imputation and franking credit account
- **Note 16:** Financial risk management – equity

### Note 13: Share capital

	2019 000's of shares	2018 000's of shares	2019 \$000	2018 \$000
Authorised and issued ordinary shares at beginning of period	312,973	312,973	-	-
Shares	156,487	-	259,933	-
	<b>469,460</b>	<b>312,973</b>	<b>259,933</b>	-

On 14 February 2018, Tilt Renewables announced an offer for the raising of new equity through an underwritten pro rata accelerated entitlement offer of new ordinary shares.

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



## Note 14: Dividends

	2019 Cents per share	2018 Cents per share	2019 \$000	2018 \$000
Final dividend prior period	1.80	2.25	5,634	7,042
Interim dividend current year – declared subsequent to the end of the reporting period	1.60	1.25	5,008	3,912
<b>Total dividend</b>	<b>3.40</b>	<b>3.50</b>	<b>10,642</b>	<b>10,954</b>
Dividend declared subsequent to the end of the reporting period	-	1.80	-	5,634

### 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

	2019 \$000	2018 \$000
Imputation credits available for use in subsequent reporting periods	3,576	423
Franking credits available for use in subsequent reporting periods	44,581	27,323
	<b>48,157</b>	<b>27,746</b>

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	2019 \$000	2018 \$000
<b>Net debt</b>			
Bank and other debt	10	689,706	639,050
Cash and cash equivalents		(94,940)	(45,913)
		<b>594,766</b>	<b>593,137</b>
<b>Equity</b>			
Total equity		655,976	510,165
		<b>655,976</b>	<b>510,165</b>
<b>Total capital funding</b>		<b>1,250,742</b>	<b>1,103,302</b>
<b>Gearing ratio</b>		48%	54%

## TAX, RELATED PARTY AND OTHER NOTES

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

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:** Other commitments
- **Note 21:** Related party transactions
- **Note 22:** Contingent liabilities
- **Note 23:** Subsequent events

### Note 17: Income tax expense

	2019 \$000	2018 \$000
Profit before income tax	19,112	23,490
<b>Tax on profit (30%)</b>	<b>5,734</b>	<b>7,047</b>
Tax effect of non-assessable revenue	534	98
Reconciliation difference between tax jurisdictions	63	134
Income tax under/(over) provided in prior year	602	(720)
	<b>6,933</b>	<b>6,559</b>
<i>Represented by</i>		
Current tax	12,687	6,186
Deferred tax	(5,754)	373
	<b>6,933</b>	<b>6,559</b>

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

	2019 \$000	2018 \$000*
Balance at beginning of period	161,668	167,933
Current year changes in temporary differences recognised in profit or loss	(5,754)	373
Current year changes in temporary differences recognised in other comprehensive income	(51,012)	(7,519)
Reclassification of prior year temporary differences	(237)	-
Exchange rate movements on foreign denominated deferred tax	614	881
<b>Total deferred tax liabilities</b>	<b>105,279</b>	<b>161,668</b>
<i>Comprising</i>		
Deferred tax liabilities to be recovered after more than 12 months	99,288	161,295
Deferred tax liabilities to be recovered within 12 months	5,991	373
	<b>105,279</b>	<b>161,668</b>

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

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
<b>For the year ended 31 March 2019 (\$000)</b>				
Revaluations	179,506	-	(41,734)	137,772
Other property, plant and equipment	(24,230)	(4,857)	(354)	(29,441)
Employee benefits	(96)	(540)	(648)	(1,284)
Financial instruments	6,537	(594)	(8,276)	(2,333)
Other	(49)	-	614	565
	<b>161,668</b>	<b>(5,991)</b>	<b>(50,398)</b>	<b>105,279</b>
<b>For the year ended 31 March 2018 (\$000) – restated*</b>				
Revaluations	186,344	-	(6,838)	179,506
Other property, plant and equipment – restated*	(16,686)	(7,768)	224	(24,230)
Employee benefits	(26)	(70)	-	(96)
Financial instruments	(1,373)	7,896	14	6,537
Other	(326)	315	(38)	(49)
	<b>167,933</b>	<b>373</b>	<b>(6,638)</b>	<b>161,668</b>

\* Certain 2018 amounts have been restated to reflect adjustments relating to Note A9.

## Note 19: Key assumptions and judgements – tax

### 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 deductible 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.

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

Except for Waverley Wind Farm Limited, Tilt Renewables' wholly owned New Zealand resident subsidiaries are members of a consolidated group for New Zealand income tax purposes. Tilt Renewables' wholly owned Australian resident subsidiaries are currently members of a consolidated group for Australian income tax purposes.

Except for Waverley Wind Farm Limited, Tilt Renewables' wholly owned New Zealand resident subsidiaries are members of a consolidated GST group for New Zealand tax purposes. Tilt Renewables' wholly owned Australian subsidiaries are not in a group of companies for GST purposes.

## Note 20: Other commitments

	2019 \$000	2018 \$000
<b>Operating leases</b>		
Not later than 1 year	4,293	2,464
Later than 1 year and not later than 5 years	13,240	8,188
Later than 5 years	44,062	22,672
<b>Total operating lease commitments</b>	<b>61,595</b>	<b>33,324</b>

Operating lease commitments relate to development project option payments, operating asset minimum generation payments and the rental agreement for the Tilt Renewables offices in Melbourne and Tauranga.

Capital commitments associated with the Dundonnell Wind Farm total \$470.1M as at 31 March 2019 (2018: \$Nil).

## Note 21: Related party transactions

	2019 \$000	2018 \$000
<b>Key management personnel compensation</b>		
Annual remuneration	2,729	2,430
	<b>2,729</b>	<b>2,430</b>
<b>Transactions with other related parties</b>		
<i>Sales and purchases of goods and services</i>		
Supply of electricity to related parties	39,197	33,853
Purchase of support services from parent	112	126
Purchase of management services from related party	-	15
<i>Other transactions</i>		
Management services from parent	1,167	370
Settlement of demerger transactions with related party	-	1,145
Reimbursement of takeover costs	1,861	-
<b>Outstanding balances with other related parties</b>		
<i>Sales and purchases of goods and services</i>		
Supply of electricity and services to related parties	2,260	2,090
Purchase of support services from parent	-	4
<i>Other transactions</i>		
Dundonnell project VREAS bid support	-	367
Reimbursement of takeover costs	1,861	-

### Shareholders

Tilt Renewables is controlled by Infratil Limited (incorporated in New Zealand) which owns 65.34% of Tilt Renewables Limited's voting shares, Mercury NZ Limited owns 19.99% and the residual balance of 14.67% 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

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 (2018: \$Nil), and there are no amounts outstanding at 31 March 2019 (2018: \$Nil).

### Note 22: Contingent liabilities

The Group is not aware of any material contingent liabilities at the balance date that have not been disclosed elsewhere in these financial statements (2018: \$Nil).

Other than disclosed at Note 20 the Group is not party to any material operating leases at balance date (2018: \$Nil).

### Note 23: Subsequent events

The Group is not aware of any significant events that have occurred subsequent to balance date but prior to signing of these financial statements (2018: \$Nil).

The ownership of Western Downs Solar Project Pty Ltd was transferred to Tilt Renewables in May 2019.

## APPENDIX

### Note A1: Significant accounting policies index

Policy	Note
Basis of preparation	1
Principles of consolidation	1
Revenue recognition	2
Generation development	3
Property, plant and equipment	4
Borrowings	10
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### Note A2: Non-GAAP measures

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 asset impairments and discount on acquisition (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.

#### Underlying earnings after tax

	Note	2019 \$000	2018 \$000
Profit after tax attributable to the shareholders of the Group		<b>12,179</b>	<b>16,931</b>
Fair value losses/(gain) on derivative financial instruments	A10	1,980	(26,261)
Adjustments before income tax		<b>1,980</b>	<b>(26,261)</b>
Adjustments after income tax		-	-
Underlying earnings after tax		<b>14,159</b>	<b>(9,330)</b>

### 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.

	2019 \$000	2018 \$000*
Profit after tax attributable to the shareholders of the Group (\$000)	12,179	16,931
Weighted average number of ordinary shares in issue ('000s)	469,460	312,973
<b>Basic earnings per share (cents per share)</b>	<b>2.59</b>	<b>5.41</b>
<b>Diluted earnings per share (cents per share)</b>	<b>2.59</b>	<b>5.41</b>
Underlying earnings after tax (\$000)	14,159	(9,330)
Weighted average number of ordinary shares in issue ('000s)	469,460	312,973
<b>Underlying earnings per share (cents per share)</b>	<b>3.02</b>	<b>(2.98)</b>

\* Certain 2018 amounts have been restated to reflect adjustments relating to Note A9.

### Note A4: Net tangible assets per share

	Note	2019	2018
Total net assets		655,976	510,165
Less intangible assets		(546)	(597)
Net tangible assets attributed to shareholders		655,430	509,568
Number of ordinary shares in issue (thousands)		469,460	312,973
<b>Net tangible assets per share (dollars per share)</b>		<b>1.40</b>	<b>1.63</b>

### Note A5: Other operating expenses

	Note	2019 \$000	2018 \$000
Remuneration of auditors	A6	629	468
Directors' fees		820	685
Donations		29	26
Generation development expenditure		4,919	8,277
Other administration costs		5,976	5,348
		<b>12,373</b>	<b>14,804</b>

## Note A6: Remuneration of auditors

During the year the following fees were payable to the auditors of Tilt Renewables, PricewaterhouseCoopers:

	2019 \$000	2018 \$000
<b>Audit and other assurance services</b>		
Audit services	263	180
Other assurance services	86	34
<b>Total audit and other assurance services</b>	<b>349</b>	<b>214</b>
<b>Taxation services</b>		
Tax compliance services and review of company income tax returns	51	49
Tax compliance advice	131	-
<b>Total taxation services</b>	<b>182</b>	<b>49</b>
<b>Other services</b>		
Benchmarking services	-	13
Consulting services – development projects	85	-
Consulting services – other	13	192
<b>Total other services</b>	<b>98</b>	<b>205</b>
<b>Total taxation and other services</b>	<b>280</b>	<b>254</b>
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>629</b>	<b>468</b>

## Note A7: Accounts receivable and prepayments

	2019 \$000	2018 \$000
<b>Current portion</b>		
Electricity market receivables	13,341	17,933
Other receivables and prepayments	13,369	13,894
	<b>26,710</b>	<b>31,827</b>

### 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 impairment loss amount is recognised in the income statement. The criteria used by Tilt Renewables 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
- 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
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation



## Note A8: Accounts payable and accruals

	2019 \$000	2018 \$000
<b>Current portion</b>		
Employee entitlements	494	932
Interest accruals	3,011	3,181
GST payable	3,132	1,920
Other accounts payable and accruals	9,878	9,619
	<b>16,515</b>	<b>15,652</b>
<b>Non-current portion</b>		
Other accounts payable and accruals	2,694	2,837
	<b>2,694</b>	<b>2,837</b>

### Trade payables

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

## Note A9: Power purchase agreement adjustment

Australian Power Purchase Agreements (PPAs) are entered into with third parties (electricity retailers) by the Group in order to ensure it can continue to sell electricity at predetermined prices. Historically, the Group determined that PPA were operating leases and recognised the fixed price income as it was generated. The Group has subsequently concluded that all PPAs were supply contracts for the delivery of electricity as the contracts required physical delivery of the products and the view that the Australian Electricity Market Operator (AEMO) was a market clearing house that is used to settle such agreements.

Whilst the accounting standards that outline the measurement and presentation requirements to be applied to PPAs have not changed with the implementation of NZ IFRS 9, there has been a review of the accounting treatment for these contracts since the year ended 31 March 2018. The Australian electricity PPAs are net settled with AEMO, therefore it has been concluded that the net payable to/receivable from the third party offtaker should be accounted for as a derivative financial instrument. As a result, the Group has determined the fair value of these agreements and recognised a derivative asset or liability at each reporting date. The Australian Large-scale Generation Certificates are settled directly with the counterparty and therefore the change in policy is only for the Australian electricity element of the PPAs. This change in accounting treatment has been reflected in both the current and comparative periods. This change is not applicable to the New Zealand PPAs as these are not net settled and the energy market is structured differently.

The Group has also identified that the relationship between the PPAs and the Group's exposure to fluctuating energy prices meets the criteria as a qualifying hedge relationship. On a prospective basis, the Group will apply hedge accounting to the Power Purchase Agreements (PPAs), entered into with third parties.

## Note A9: Power purchase agreement adjustment (continued)

The Group has restated each of the affected financial statement line items for the prior year, as detailed below:

### Impact on statement of financial position

	Previously reported	Adjustment	Restated
<b>31 March 2018</b>			
Derivative assets non-current	2,471	98,033	100,504
Property, plant and equipment	1,251,530	(80,917)	1,170,613
<b>Total assets</b>	<b>1,334,428</b>	<b>17,116</b>	<b>1,351,544</b>
Derivative liabilities current	264	14,028	14,292
Deferred liabilities non-current	5,469	-	5,469
Tax payable	2,044	-	2,044
Deferred tax liabilities	160,742	926	161,668
<b>Total liabilities</b>	<b>826,425</b>	<b>14,954</b>	<b>841,379</b>
Revaluation reserve	450,148	(58,803)	391,345
Retained earnings	65,317	60,965	126,282
<b>Net impact on equity</b>	<b>-</b>	<b>2,162</b>	<b>2,162</b>
<b>31 March 2017</b>			
Derivative assets non-current	4,654	87,698	92,352
Property, plant and equipment	1,241,025	(58,942)	1,182,083
<b>Total assets</b>	<b>1,293,086</b>	<b>28,756</b>	<b>1,321,842</b>
Derivative liabilities current	1,448	25,063	26,511
Derivative liabilities non-current	7,666	3,693	11,359
<b>Total liabilities</b>	<b>773,658</b>	<b>28,756</b>	<b>802,414</b>
Revaluation reserve	450,148	(41,259)	408,889
Retained earnings	79,047	41,259	120,306
<b>Net impact on equity</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Impact on income statement increase/(decrease)

	000's
<b>31 March 2018</b>	
Depreciation	3,088
Net fair value gains on financial instruments	25,063
Income tax expense	(8,445)
<b>Total impact profit after tax</b>	<b>19,706</b>

## Note A9: Power purchase agreement adjustment (continued)

### Impact on other comprehensive income/(expense)

31 March 2018	000's
Revaluation losses on generation assets	(25,063)
Tax effect of revaluation losses on generation assets	7,519
<b>Total other comprehensive expense</b>	<b>(17,544)</b>

### Impact on basic and diluted earnings per share (EPS) increase in EPS

31 March 2018	
Basic earnings per share (cents per share)	6.3
Diluted earnings per share (cents per share)	6.3

As the Group has not historically hedge accounted for the Australian PPAs, the initial recognition of the derivative value as at 31 March 2017 is required to be amortised through profit and loss over the life of the PPA. Any movements in the PPA derivative value after 1 April 2018 will be assessed for effectiveness and the effective portion taken through Other Comprehensive Income to the cash flow hedge reserve removing the ongoing volatility within the profit and loss.

## Note A10: (a) Fair value gains/losses on financial instruments

The changes in the fair value of financial instruments recognised in the income statement for the financial year 31 March 2019 are summarised below:

Recognised in the income statement	2019 \$000	2018 \$000*
Interest rate swaps	15,569	(1,198)
Electricity derivatives	441	-
Australian purchase price agreements	(14,030)	(25,063)
	<b>1,980</b>	<b>(26,261)</b>
<b>Recognised in the cash flow hedge reserve</b>	<b>2019 \$000</b>	<b>2018 \$000*</b>
Interest rate swaps	25,190	-
Electricity derivatives	6,945	-
Australian purchase price agreements	(4,549)	-
	<b>27,585</b>	<b>-</b>

\* Certain 2018 amounts have been restated to reflect adjustments relating to Note A9.

## Note A10: (a) Fair value gains/losses on financial instruments (continued)

### Derivative financial instruments

	2019 \$000	2018 \$000*
<b>Current assets</b>		
Interest rate swaps	3	-
Electricity derivatives	286	-
	<b>289</b>	<b>-</b>
<b>Current liabilities</b>		
Interest rate swaps	5,672	264
Electricity derivatives	6,445	-
Australian purchase price agreements	7,677	14,028
	<b>19,794</b>	<b>14,292</b>
<b>Non-current assets</b>		
Interest rate swaps	-	2,471
Electricity derivatives	13	-
Australian purchase price agreements	113,307	98,033
	<b>113,320</b>	<b>100,504</b>
<b>Non-current liabilities</b>		
Interest rate swaps	38,523	5,469
Electricity derivatives	1,265	-
Australian purchase price agreements	3,022	-
	<b>42,810</b>	<b>5,469</b>

\* Certain 2018 amounts have been restated to reflect adjustments relating to Note A9.

## Note A10: (b) Fair value measurements of financial instruments

### (i) 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.

Contractual maturities of financial liabilities	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000	Contractual cash flows total \$000	Carrying amount (assets) / liabilities total \$000
	\$000	\$000	\$000	\$000	\$000	\$000
<b>As at 31 March 2019</b>						
Interest rate swaps	-	2,390	3,351	40,541	46,282	44,195
Electricity derivatives	-	3,044	3,401	1,265	7,710	7,710
Australian purchase price agreements	1,478	4,092	2,342	5,017	12,929	10,699
Accounts payable and accruals	16,320	97	97	2,694	19,209	19,209
Finance lease	137	688	825	69,678	71,328	22,913
Secured loans	-	32,814	181,806	683,669	898,289	676,944
<b>Total</b>	<b>17,935</b>	<b>43,125</b>	<b>191,822</b>	<b>802,864</b>	<b>1,055,746</b>	<b>781,670</b>
<b>As at 31 March 2018</b>						
Interest rate swaps	-	100	164	5,469	5,733	5,733
Australian purchase price agreements	1,531	7,659	6,088	-	15,278	14,028
Accounts payable and accruals	15,473	81	98	2,837	18,489	18,489
Secured loans	-	30,095	31,544	825,662	887,301	643,415
<b>Total</b>	<b>17,004</b>	<b>37,935</b>	<b>37,893</b>	<b>833,968</b>	<b>926,800</b>	<b>681,665</b>

### (ii) Interest rate risk

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 31 March 2019 was \$481M (2018: \$370M) of Australian and \$86M (2018: \$89M) of New Zealand principal amounts. These amounts include forward start interest rate swaps entered into to manage interest rate exposure relating to undrawn debt facilities that will be drawn to fund construction of the Dundonnell Wind Farm.

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.

## Note A10: (b) Fair value measurements of financial instruments (continued)

### Sensitivity analysis

At 31 March 2019, 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.

	2019 \$000	2018 \$000
(Decrease) to profit of a 100 basis point decrease in interest rates	(12,708)	(11,875)
Increase to profit of a 100 basis point increase in interest rates	12,087	11,295
(Decrease) to equity of a 100 basis point decrease in interest rates	(30,251)	(11,875)
Increase to equity of a 100 basis point increase in interest rates	27,549	11,295

The above interest rate sensitivities would have an offsetting impact on the floating rate interest paid on borrowings.

## Note A10: (c) Fair value measurements

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

### (i) Valuation techniques used to determine 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)
- Discount rates

Valuation Input	Source
<ul style="list-style-type: none"> <li>• Interest rate forward price curve to value interest rate swaps</li> <li>• Discount rate for valuing interest rate derivatives</li> <li>• Discount rate for valuing forward foreign exchange contracts</li> <li>• Discount rate for valuing electricity price derivatives</li> </ul>	<ul style="list-style-type: none"> <li>• Published market swap rates</li> <li>• 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</li> <li>• Assumed counterparty cost of funds ranging from 3.3% to 4.1%</li> </ul>

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.

### Note A10: (c) Fair value measurements (continued)

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 (that is, 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 (March 2018: 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 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>31 March 2019</b>				
<b>Assets per the statement of financial position</b>				
Interest rate swaps	-	3	-	3
Electricity derivatives	-	299	-	299
Australian purchase price agreements	-	-	113,307	113,307
	-	<b>302</b>	<b>113,307</b>	<b>113,609</b>
<b>Liabilities per the statement of financial position</b>				
Interest rate swaps	-	44,195	-	44,195
Electricity derivatives	-	7,710	-	7,710
Australian purchase price agreements	-	-	10,699	10,699
	-	<b>51,905</b>	<b>10,699</b>	<b>62,604</b>
<b>31 March 2018</b>				
<b>Assets per the statement of financial position</b>				
Interest rate swaps	-	2,471	-	2,471
Australian purchase price agreements	-	-	98,033	98,033
	-	<b>2,471</b>	<b>98,033</b>	<b>100,504</b>
<b>Liabilities per the statement of financial position</b>				
Interest rate swaps	-	5,733	-	5,733
Australian purchase price agreements	-	-	14,028	14,028
	-	<b>5,733</b>	<b>14,028</b>	<b>19,761</b>

#### (ii) Fair value hierarchy

The fair value of derivative investments is recognised at Level 2 fair value for interest rate swaps and electricity forwards and Level 3 fair value for the Australian purchase price agreements. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 March 2019.

## Note A10: (c) Fair value measurements (continued)

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

### (iii) Fair value measurements

The following table summarises the methods that are used to estimate the fair value of the Group's financial instruments:

Instrument	Fair value methodology
Financial instruments traded in active markets	Quoted market prices at reporting date
Long-term debt and other financial assets	Quoted market prices, dealer quotes for similar instruments, or present value of estimated future cash flows
Interest rate swaps	Present value of expected future cash flows of these instruments. Key variables include market pricing data, discount rates and credit risk of the Group or counterparty where relevant. Variables reflect those which would be used by market participants to execute and value the instruments
Structured electricity forwards which are not regularly traded and with no observable market price	The valuation models for long-term electricity derivatives reflect the fair value of the avoided costs of construction of the physical assets which would be required to achieve an equivalent risk management outcome for the Group. The methodology takes into account all relevant variables including forward commodity prices, physical generation plant variables, the risk-free discount rate and related credit adjustments, and asset lives. The valuation models for short-term electricity derivatives include premiums for lack of volume in the market relative to the size of the instruments being valued
Australian Purchase price agreement derivatives	The discounted cash flow methodology reflects the difference in the contract price and long term forecast electricity pool prices which are not observable in the market. The valuation also requires estimation of forecast electricity volumes, the risk-free discount rate and related credit adjustments

### (iv) Valuation inputs and relationships to fair value

The following is a summary of the main inputs and assumptions used by the Group in measuring the fair value of Level 3 financial instruments.

**Discount rates:** Based on observable market rates for risk-free instruments of the appropriate term.

**Credit adjustments:** Applied to the discount rate depending on the asset/liability position of a financial instrument to reflect the risk of default by either the Group or a specific counterparty. Where a counterparty specific credit curve is not observable, an estimated curve is applied that takes into consideration the credit rating of the counterparty and its industry.



### Note A10: (c) Fair value measurements (continued)

**Forward commodity prices:** Including both observable external market data and internally derived forecast data. For certain long term electricity derivatives, internally derived forecast spot pool prices and renewable energy certificate prices are applied as market prices are not readily observable for the corresponding term.

**Generation volumes:** Forecast generation volumes over the life of the instrument based on historical actuals.

**Liquidity premiums:** Applied to allow for the lack of volume in the market relative to the size of the instruments being valued.

**Strike premiums:** Applied to allow for instances where instruments have different strike prices to those associated with instruments that have observable market prices.

The use of different methodologies or assumptions could lead to different measurements of fair value.

For Level 3 fair value measurements, a sensitivity analysis around the key unobservable inputs is given in the table below:

Assumption	Low	High	Valuation Impact
<i>Impact on the statement of financial position 31 March 2019</i>			<b>AUD \$000</b>
Forward electricity price path	10% increase in future electricity pricing	10% reduction in future electricity pricing	-\$44,558 / +\$44,558
Generation volume	10% reduction in future production	10% increase in future production	-\$10,261 / +\$10,261
Discount rate post tax	7.75%	6.75%	-\$5,142 / +\$5,475

## Note A11: Investments in subsidiaries

Parent and Group	Country of incorporation and place of business	% Owned by Tilt Renewables Ltd		Nature of business
		2019	2018	
<i>Significant subsidiaries (31 March balance dates)</i>				
# 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 Wind Farm Pty Ltd	Australia	100	100	Electricity generation
# Tararua Wind Power Limited	New Zealand	100	100	Electricity generation and 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	Australia	100	100	Generation development
Liverpool Range Wind Farm Pty Ltd – acquired 7 March 2019	Australia	100	-	Generation development
Waverley Wind Farm Limited – incorporated 5 July 2018	New Zealand	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 10, 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 entities are not included in the Deed of Cross Guarantee:

- Snowtown North Solar Pty Ltd
- Liverpool Range Wind Farm Pty Ltd – incorporated 14 December 2018
- Waverley Wind Farm Limited – incorporated 5 July 2018

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

	2019 \$000	2018 \$000*
<b>Profit after tax</b>	<b>12,179</b>	<b>16,931</b>
<i>Items classified as investing/financing</i>		
Interest paid	28,594	30,506
Interest received	(1,261)	(1,069)
	<b>27,333</b>	<b>29,437</b>
<i>Non-cash items</i>		
Amortisation of intangible assets	-	48
Depreciation	83,568	77,058
Share based staff remuneration	377	89
Movement in derivative financial instruments taken to the income statement	1,980	(26,261)
Increase/(decrease) in deferred tax liability excluding transfers to reserves	(5,377)	1,253
Payments to suppliers and employees taken to the balance sheet	(4,791)	-
	<b>75,757</b>	<b>52,188</b>
<i>(Decrease)/increase in working capital</i>		
Accounts receivable and prepayments	(561)	(14,087)
Taxation payable/receivable	(2,697)	(5,253)
Accounts payable, accruals excluding capital expenditure accruals	353	6,722
	<b>(2,905)</b>	<b>(12,618)</b>
<b>Net cash from operating activities</b>	<b>112,364</b>	<b>85,937</b>

\* Certain 2018 amounts have been restated to reflect adjustments relating to Note A9.

### 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 was implemented on 3 February 2017 where, 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.

	2019 # of rights	2018 # of rights
<b>Number of performance rights</b>		
Outstanding at the beginning of the year	819,476	-
Granted during the period	614,577	1,519,463
Forfeited during the period	(102,647)	(699,987)
Exercised during the period	-	-
<b>Outstanding at the end of the year</b>	<b>1,331,406</b>	<b>819,476</b>
	2019 \$000	2018 \$000
Share based payments	377	89

### Note A15: Property, plant and equipment at historical cost

If all property, plant and equipment assets were stated on an historical cost basis, the amounts would be as follows:

	2019 \$000	2018 \$000
Property, plant and equipment (at cost)	1,158,411	1,030,914
Property, plant and equipment accumulated depreciation	(438,416)	(377,096)
	<b>719,995</b>	<b>653,818</b>

## Note A16: Supplementary accounting information

### A16.1 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 deb not falling within the definition of cash
- Dividends paid in relation to the capital structure are included in financing activities

### A16.2 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.

### A16.3 Adoption status of relevant new financial reporting standards and interpretations

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

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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 \$61.5M of operating lease commitments as at 31 March 2019 which are not currently shown in the balance sheet.
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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.

