

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020



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For the year ended 31 March 2020

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 4-10
- **Funding:** Notes 11-14
- **Equity:** Notes 15-17
- **Tax, related parties and other notes:** Notes 18-26

There is also an appendix, from Notes A1 to A15, which contains additional detailed disclosures 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

For the year ended 31 March 2020

Our key metrics	2020	2019
Earnings before interest, tax, depreciation, amortisation and fair value movements (EBITDAF) (\$M)	117,526	134,791
Profit after tax (\$M)	478,433	12,179
Underlying earnings after tax (\$M) – see Note A2	972	14,159
Basic earnings per share (cents per share) – see Note A3	101.75	2.59
Dividends paid during the year (cents per share)	-	3.40
Gearing ratio	12%	48%
Generation production		
Australian generation production (GWh)	1,170	1,395
New Zealand generation production (GWh)	665	659
	1,835	2,054
Financial statements are presented in AUD currency		
Exchange rate (NZD) – income statement (average rate)	0.9497	0.9333
Exchange rate (NZD) – balance sheet (year end rate)	0.9749	0.9577

DIRECTORS' **RESPONSIBILITY** **STATEMENT**

The Directors are pleased to present the financial statements of Tilt Renewables Limited and subsidiaries (the Group) for the year ended 31 March 2020.

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 2020, and the financial performance and cash flows for the year ended on that date.

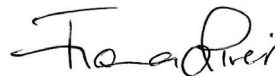
The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

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

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



Bruce Harker
Director



Fiona Oliver
Director

Company Registration Number 1212113
Dated: 22 May 2020

To the shareholders of Tilt Renewables Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow 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 accompanying 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 2020, 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

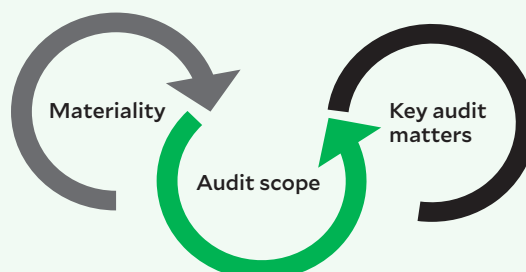
We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements 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: \$2.35 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 three key audit matters and we communicated these to the Audit and Risk Committee:

- Carrying value of generation assets [Note 5 - \$547.9m]
- Derivative accounting for Australian power purchase agreements (PPA's) [Note A9 - \$7.5m net liability]
- Sale of the Snowtown 2 subsidiaries [Note 2 - \$486m]

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 - \$547.9m]

Generation assets are carried at fair value and the Group's policy is that they are revalued by independent external valuers every three years or more frequently if there is evidence of a significant change in value. A full valuation of generation assets was performed as at 31 March 2020.

The valuation of 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.

The Group has considered the valuation and concluded that it was appropriate to revalue the generation assets, resulting in an increase of \$84.8m.

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

We obtained the external valuation report and considered the key assumptions used in the valuation of generation assets, including the following:

- Compared the forward electricity price path used for the 2020 valuation to current externally derived market forecast data and corresponding purchase price agreements.

- Compared the estimated future generation volumes to the historical actual levels achieved.
- Considered if there were any changes to the operating cost structure of generation sites that may impact the expected future cash flows by comparing forecast operating costs with historical actual operating costs incurred.
- Together with PwC valuation experts, we assessed the discount rates used in the valuation to confirm they were reasonable based on market data, comparable companies and industry research.

We also performed the following:

- Compared the forecast cash flows for 2021 used in the valuation model with the FY2021 budget formally approved by the Board.
- Assessed the cash flow forecasts utilised in the valuation for each asset by obtaining an understanding of the key factors and underlying drivers for growth, in the context of the Group's future plans.

Because of the subjectivity involved in determining valuations for individual generation assets and the existence of alternative assumptions, we assessed the sensitivity of the overall asset valuation by adjusting the key assumptions described above.

Key audit matter

Derivative accounting for Australian power purchase agreements (PPAs) [Note A9 - \$75m net liability]

The majority of Australian electricity PPAs 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 Australian Energy Market Operator (AEMO). Australian electricity PPAs are recognised as a derivative, requiring revaluation at the end of each reporting period.

The valuation of Australian PPAs 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 involve 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

We considered the key assumptions used in the valuation of PPAs, including the following:

- 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.
- Together with PwC valuation experts, we assessed the discount rate to confirm it was reasonable based on market data, comparable companies and industry research.

Key audit matter

Sale of the Snowtown 2 subsidiaries [Note 2 - \$486m]

Following a strategic review performed by the Board in the period, Snowtown 2 Wind Farm Holdings Pty Ltd and its wholly-owned subsidiaries were sold to wholly-owned funds managed by Palisade Investment Partners Limited (Palisade) and First State Super on 16 December 2019 for \$472.3m.

A gain on the sale of the subsidiaries of \$486m was recognised.

The sale of the Snowtown 2 subsidiaries was a key audit matter due to the significance of the transaction to the Group.

How our audit addressed the key audit matter

Our audit procedures included the following, amongst others:

- Agreed the fair value of consideration received to the sale and purchase agreements and agreed a sample of payments received to the Group's bank records.
- Read the sale and purchase agreements to obtain an understanding of the terms and conditions and considered the appropriateness of their accounting treatment in light of the terms and the requirements of Australian Accounting Standards.
- Agreed the carrying value of net assets disposed of used in the calculation of the gain on sale, to the completion statement.
- Agreed a sample of transaction costs to third party support and assessed whether the costs were directly attributable to the sale transaction in light of their nature.
- Considered the adequacy of the disclosures made in note 2 in light of the requirements of New Zealand Accounting Standards.

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 2020, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected 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 and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

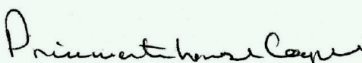
This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinion 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
22 May 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Note	2020 \$000	2019 \$000
Operating revenue			
Electricity revenue		168,751	192,871
Other operating revenue		1,483	402
	3	170,234	193,273
Operating expenses			
Generation costs		30,979	37,811
Employee benefits		10,572	8,298
Other operating expenses	A5	11,157	12,373
	4	52,708	58,482
Earnings before interest, tax, depreciation, amortisation and fair value movements (EBITDAF)			
	4	117,526	134,791
Net fair value losses on financial instruments	A9	8,514	1,980
Depreciation	5	72,539	83,568
Operating profit			
		36,473	49,243
Interest paid	13	46,535	31,392
Interest received	13	(7,174)	(1,261)
Net finance costs			
		39,361	30,131
Net surplus from sale of subsidiaries	2	485,975	-
Profit before income tax			
		483,087	19,112
Income tax expense	18	(4,654)	(6,933)
Profit after tax			
		478,433	12,179
Profit after tax attributable to the shareholders of the Group			
		478,433	12,179
Basic earnings per share (cents per share)	A3	101.75	2.59
Diluted earnings per share (cents per share)	A3	101.75	2.59

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Note	2020 \$000	2019 \$000
Profit after tax		478,433	12,179
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge reserves recycled to the income statement on disposal of subsidiaries (net of tax)	A9	27,702	-
Differences arising on translation of foreign operations		15,685	2,415
Effective portion of changes in fair value of cash flow hedges	A9	(75,517)	(27,585)
Tax effect of the following:			
Differences arising on translation of foreign operations		(440)	(725)
Effective portion of changes in fair value of cash flow hedges		22,390	8,276
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gains / (losses) on generation assets		82,696	(140,153)
Tax effect of the following:			
Revaluation gains / (losses) on generation assets		(24,752)	41,734
Total other comprehensive income/(expenses)		47,764	(116,038)
Total comprehensive income/(expenses)		526,197	(103,859)
Attributable to shareholders of Tilt Renewables Limited		526,197	(103,859)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Note	2020 \$000	2019 \$000
Equity			
<i>Capital and reserves attributable to shareholders of the Group</i>			
Share capital	15	261,573	259,933
Revaluation reserve		305,527	292,927
Foreign currency translation reserve		9,384	(5,861)
Retained earnings		649,973	127,821
Cash flow hedge reserve		(44,735)	(19,310)
Other reserves		1,560	466
Total equity		1,183,282	655,976
<i>Represented by:</i>			
Current assets			
Cash at bank	8	228,799	94,940
Other financial assets	8	449,989	225,468
Receivable from related parties	A7, 23	2,920	4,121
Accounts receivable and prepayments	A7	16,061	26,710
Derivative financial instruments	A9	4,702	289
Taxation receivable		9,053	653
		711,524	352,181
Non-current assets			
Property, plant and equipment	5	1,014,016	1,066,727
Derivative financial instruments	A9	4,264	113,320
Intangible assets	7	546	546
		1,018,826	1,180,593
Total assets		1,730,350	1,532,774
Current liabilities			
Accounts payable and accruals	A8	57,327	16,515
Borrowings	11	17,363	190,180
Lease liabilities	12	10,348	1,578
Derivative financial instruments	A9	5,196	19,794
		90,234	228,067
Non-current liabilities			
Borrowings	11	243,543	476,613
Lease liabilities	12	115,163	21,335
Derivative financial instruments	A9	67,330	42,810
Accounts payable and accruals	A8	2,743	2,694
Deferred tax liability	19	28,055	105,279
		456,834	648,731
Total liabilities		547,068	876,798
Net assets		1,183,282	655,976

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Capital \$000	Revaluation reserve \$000	Foreign currency translation reserve \$000	Retained earnings \$000	Cash flow hedge reserve \$000	Other reserves \$000	Total equity \$000
Opening balance as at 1 April 2019	259,933	292,927	(5,861)	127,821	(19,310)	466	655,976
Total comprehensive income for the period							
Net surplus for the period	-	-	-	478,433	-	-	478,433
Other comprehensive income							
Cash flow hedge reserves recycled to the income statement on disposal of subsidiaries (net of tax)	-	-	-	-	27,702	-	27,702
Fair value change of property, plant and equipment recognised in equity	-	82,696	-	-	-	-	82,696
Differences arising on translation of foreign currency	-	-	15,685	-	-	-	15,685
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(75,517)	-	(75,517)
<i>Tax effect of the following</i>							
Fair value change of property, plant and equipment recognised in equity	-	(24,752)	-	-	-	-	(24,752)
Differences arising on translation of foreign currency	-	-	(440)	-	-	-	(440)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	22,390	-	22,390
Total other comprehensive income	-	57,944	15,245	-	(25,425)	-	47,764
Total comprehensive income	-	57,944	15,245	478,433	(25,425)	-	526,197
Realisation on disposal of subsidiaries	-	(45,344)	-	43,719	-	-	(1,625)
Transactions with owners recorded directly in equity							
Equity raise costs	(205)	-	-	-	-	-	(205)
Fair value movements in relation to the employee share scheme	-	-	-	-	-	1,602	1,602
Conversion of executive shares	508	-	-	-	-	(508)	-
Issue of shares to employees	1,337	-	-	-	-	-	1,337
Total transactions with owners recorded directly in equity	1,640	-	-	-	-	1,094	2,734
Closing balance as at 31 March 2020	261,573	305,527	9,384	649,973	(44,735)	1,560	1,183,282
Opening balance as at 1 April 2018	-	391,345	(7,551)	126,283	-	89	510,165
Total comprehensive income for the period							
Net surplus for the period	-	-	-	12,179	-	-	12,179
Other comprehensive income							
Fair value change of property, plant and equipment recognised in equity	-	(140,153)	-	-	-	-	(140,153)
Differences arising on translation of foreign currency	-	-	2,415	-	-	-	2,415
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(27,585)	-	(27,585)
<i>Tax effect of the following</i>							
Fair value change of property, plant and equipment recognised in equity	-	41,734	-	-	-	-	41,734
Differences arising on translation of foreign currency	-	-	(725)	-	-	-	(725)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	8,276	-	8,276
Total other comprehensive income	-	(98,419)	1,690	-	(19,310)	-	(116,038)
Total comprehensive income	-	(98,419)	1,690	12,179	(19,310)	-	103,859
Transactions with owners recorded directly in equity							
Contributed equity	259,933	-	-	-	-	-	259,933
Dividends paid	-	-	-	(10,641)	-	-	(10,641)
Share based payments expenses	-	-	-	-	-	377	377
Total transactions with owners recorded directly in equity	259,933	-	-	(10,641)	-	377	249,669
Closing balance as at 31 March 2019	259,933	292,927	(5,861)	127,821	(19,310)	466	655,976

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2020

	Note	2020 \$000	2019 \$000
Cash flows from operating activities			
<i>Cash was provided from</i>			
Receipts from customers (inclusive of GST)		198,356	230,630
		198,356	230,630
<i>Cash was applied to</i>			
Payments to suppliers and employees (inclusive of GST)		(90,377)	(103,879)
Taxation paid		(11,605)	(14,387)
		(101,982)	(118,266)
Net cash inflow from operating activities	A12	96,374	112,364
Cash flows from investing activities			
<i>Cash was provided from</i>			
Interest received		6,325	1,261
Net proceeds from sale of subsidiaries		454,962	-
		461,287	1,261
<i>Cash was applied to</i>			
Purchase of property, plant and equipment		(322,907)	(90,841)
		(322,907)	(90,841)
Net cash inflow/(outflow) from investing activities		138,380	(89,580)
Cash flows from financing activities			
<i>Cash was provided from</i>			
Secured loan proceeds		785,236	70,097
Issue of shares		-	259,933
		785,236	330,030
<i>Cash was applied to</i>			
Equity raise costs		(344)	-
Repayment of bank debt and other financing		(597,716)	(38,969)
Principal elements of lease payments		(3,898)	-
Term deposits and restricted cash		(232,174)	(225,468)
Interest paid		(52,511)	(28,593)
Dividends paid		-	(10,642)
		(886,643)	(303,672)
Net cash inflow/(outflow) from financing activities		(101,407)	26,358
Net increase in cash and cash equivalents		133,347	49,142
Cash and cash equivalents at beginning of the year		94,940	45,913
Exchange gains/(losses) on cash and cash equivalents		512	(115)
Cash and cash equivalents at end of the year		228,799	94,940

The accompanying notes form part of these financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

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 2020 and are authorised for issue by the Board on 22 May 2020.

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 New Zealand Financial Reporting Standards applicable to for-profit entities

The financial statements have been prepared as follows:

- All transactions reflected 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 significant accounting policies is available in Note A1. Changes to accounting policies and standards are shown in Note A15.

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

Judgements and key assumptions

The areas involving a higher degree of judgement or complexity are disclosed below:

- Fair value of Tilt Renewables generation assets (Note 6)
- Useful lives of generation assets for depreciation (Note 6)
- Financial instruments (Note A9)
- COVID-19 impact (Note 25)

Adoption status of relevant new financial reporting standards and interpretations

The Group has adopted NZ IFRS 16 Leases from 1 April 2019.

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 in nature. Note 21 Adoption of NZ IFRS 16 leases provides further information on the impact of the adoption of NZ IFRS 16.

There are no other NZ IFRSs or NZ IFRIC interpretations that are as yet effective that would be expected to have a material impact on Tilt Renewables.

Note 2: Sale of subsidiaries

As a result of the strategic review announced in June 2019, Tilt Renewables entered into an agreement on 5th December 2019 to sell the 270 MW Snowtown 2 Wind Farm to an entity wholly-owned by funds managed by Palisade Investment Partners Limited ('Palisade') and First State Super, for an enterprise value of \$1,073M. The sale was then completed on 16th December 2019.

The transaction occurred through Tilt Renewables Limited selling the shares in Snowtown 2 Wind Farm Holdings Pty Ltd for \$472.3M. Snowtown 2 Wind Farm Holdings Pty Ltd was sold with Snowtown 2 Wind Farm's existing project finance facility in place at the time of the sale.

The accounting profit on the sale was \$486.0M with net cash proceeds of \$470.7M. These proceeds add to the \$86.0M of unrestricted cash released as a result of the Snowtown 2 Wind Farm refinancing that was completed in October 2019. Total cash inflow of \$556.7M was provided to Tilt Renewables as a result of the Snowtown 2 Wind Farm transaction.

Note 3: Operating segments

The Executive team of the Group, consisting of the Chief Executive Officer, Chief Financial Officer, Executive General Manager Generation & Trading and the Executive 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 Executive 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 4.

The segment results for the year ended 31 March 2020 are as follows:

	Generation New Zealand \$000	Generation Australia \$000	Generation Total \$000
Revenue from external customers	41,611	128,623	170,234
Earnings before interest, tax, depreciation, amortisation and fair value movements (EBITDAF)	24,281	93,245	117,526
Net fair value losses on financial instruments	8,976	(462)	8,514
Depreciation	21,001	51,538	72,539
Net finance costs	22,801	16,560	39,361
Net surplus from sale of subsidiaries	-	(485,975)	(485,975)
Profit before income tax from continuing operations	(28,498)	511,584	483,087
Capital expenditure	60,245	420,849	481,094

Note 3: Operating segments (continued)

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	47,974	151,299	193,273
Earnings before interest, tax, depreciation, amortisation and fair value movements (EBITDAF)	25,296	109,495	134,791
Net fair value losses on financial instruments	552	1,428	1,980
Depreciation	21,814	61,754	83,568
Net finance costs	25,244	4,887	30,131
Profit before income tax from continuing operations	(22,314)	41,426	19,112
Capital expenditure	2,580	116,024	118,604

GENERATION

This section outlines the financial performance associated with the generation and construction assets of Tilt Renewables.

This section includes the following notes:

- **Note 4:** Revenue and other operating expenses
- **Note 5:** Property, plant and equipment
- **Note 6:** Key assumptions and judgements
- **Note 7:** Intangible assets
- **Note 8:** Cash and other financial assets
- **Note 9:** Other Investments
- **Note 10:** Financial risk management - generation

Note 4: Revenue and other operating expenses

Revenue recognition

Tilt Renewables' primary revenue streams relate to the sale of 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 to wholesale customers in Australia and New Zealand
- Generation and sale of Large-scale Generation Certificates (LGCs) in Australia, these are recognised at fair value in the period that they are generated

Revenue from contracts with customers is recognised when control of the goods or services is transferred to a customer at an amount that reflects the consideration to which Tilt Renewables expects to be entitled to receive in exchange for those goods or services.

Revenues are recognised on an accrual basis net of GST.

The Group recognises revenue when the amount of revenue can be reliably measured, upon satisfaction of contractually binding performance obligations.

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

At 31 March 2020, Tilt Renewables operates 266MW (31 March 2019: 440MW) of wind generation assets throughout Australia as well as 196MW (31 March 2019: 196MW) of wind generation assets in New Zealand. Tilt Renewables has assets under construction totalling 336MW in Australia and 133MW in New Zealand at 31 March 2020.

Note 4: Revenue and other operating expenses (continued)

	2020 \$000	2019 \$000
Operating revenue - contracted	116,028	164,365
Operating revenue - uncontracted	52,723	28,507
Other operating revenue	1,483	402
Total operating revenue	170,234	193,274
	2020 \$000	2019 \$000
Australia		
Operating revenue		
Electricity revenue	71,493	86,371
LGC revenue	56,140	64,908
Other operating revenue	990	20
	128,623	151,299
Operating expenses		
Generation production costs	18,362	25,918
Employee benefits	8,612	8,058
Other operating expenses	8,404	7,828
	35,378	41,804
Earnings before interest, tax, depreciation, amortisation and fair value movements (EBITDAF)	93,245	109,495
	2020 \$000	2019 \$000
New Zealand		
Operating revenue		
Electricity revenue	41,118	41,592
Other operating revenue	493	382
	41,611	41,974
Operating expenses		
Generation production costs	12,617	11,893
Employee benefits	1,961	241
Other operating expenses	2,752	4,544
	17,330	16,678
Earnings before interest, tax, depreciation, amortisation and fair value movements (EBITDAF)	24,281	25,296
Group - Earnings before interest, tax, depreciation, amortisation and fair value movements (EBITDAF)	117,526	134,791

Generation development

An ongoing part of Tilt Renewables business is the development of new generation assets. All costs incurred prior to the 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.

Note 5: Property, plant and equipment

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.

Generation assets are revalued, by independent external valuers, every three years or more frequently if there is evidence of a significant change in value. The latest three year valuation took place on 31 March 2020.

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%
- Plant and equipment 5-33%
- Right of use assets 2-20%

Both the Australian and New Zealand generation assets were revalued by an external independent third party, using a discounted cash flow methodology, as at 31 March 2020, to their estimated market value. Management did not identify any significant changes to the impairment assessment assumptions and associated third party reports. See Note A14 for historical cost information.

Transmission lease assets have been categorised as generation assets within property, plant and equipment. As at 31 March 2020 the net book amount of transmission lease assets is \$109.1M (31 March 2019: \$22.0M).

Note 5: Property, plant and equipment (continued)

	Generation assets \$000	Plant and equipment \$000	Right of use assets \$000	Work in progress \$000	Total \$000
At 31 March 2018					
Fair value	1,158,457	497	-	-	1,158,954
Cost	-	7,794	-	81,882	89,676
Accumulated depreciation	(75,564)	(2,452)	-	-	(78,016)
Net book amount	1,082,893	5,838	-	81,882	1,170,613
For the year ending 31 March 2019					
Opening net book amount	1,082,893	5,838	-	81,882	1,170,613
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)
Closing net book amount	979,887	9,177	-	77,664	1,066,727
At 31 March 2019					
Fair value	1,052,301	12,128	-	-	1,064,429
Cost	-	-	-	77,664	77,664
Accumulated depreciation	(72,414)	(2,951)	-	-	(75,365)
Net book amount	979,887	9,177	-	77,664	1,066,727
For the year ending 31 March 2020					
Opening net book amount	979,887	9,177	-	77,664	1,066,727
Adjustment for change in accounting policy, see note 21	-	-	22,669	-	22,669
Restated opening net book amount	979,887	9,177	22,669	77,664	1,089,396
Additions at cost	88,344	-	162	378,336	466,842
Depreciation	(65,931)	(1,044)	(1,501)	-	(68,476)
Disposals at net book value	(554,777)	(171)	(8,038)	-	(562,986)
Foreign exchange movements	3,071	2	69	1,309	4,451
Transfers	12,537	1,601	-	(14,138)	-
Revaluations	84,788	-	-	-	84,788
Closing net book amount	547,919	9,565	13,361	443,171	1,014,016
At 31 March 2020					
Fair value	649,997	13,536	-	-	663,533
Cost	-	-	14,591	443,171	457,762
Accumulated depreciation	(102,078)	(3,971)	(1,230)	-	(107,279)
Net book amount	547,919	9,565	13,361	443,171	1,014,016
Closing balance as at 31 March 2020 by country					
Australia	356,774	9,503	8,853	388,314	763,444
New Zealand	191,145	62	4,508	54,857	250,572
	547,919	9,565	13,361	443,171	1,014,016
Closing balance as at 31 March 2019 by country					
Australia	775,409	9,093	-	77,658	862,160
New Zealand	204,478	84	-	6	204,568
	979,887	9,177	-	77,664	1,066,727

Note 5: Property, plant and equipment (continued)

Work in progress (WIP) additions in the year primarily relate to the construction costs associated with the Dundonnell Wind Farm project in Australia and the Waipipi Wind Farm project in New Zealand.

As at 31 March 2019, Property, plant and equipment included the following amounts where the Group was a lessee under finance leases:

	2019 \$000
Transmission line	
Cost	22,655
Accumulated depreciation	(629)
Net book amount	22,026

Upon adoption of NZ IFRS 16 on 1 April 2019, leased assets continue to be presented as Property, plant and equipment. See Note 21 for details about the change in accounting policy.

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, as summarised in Note 6.

Note 6: Key assumptions and judgements

The following assumptions and associated sensitivities formed part of the 2020 fair value assessment. These key assumptions have been reviewed as part of the 2020 fair value assessment exercise and no significant changes have been identified.

A sensitivity analysis around some key inputs is given in the table below. The overall valuation is based on a combination of assumption 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 beyond current fixed price periods.

Assumption	Low	High	Valuation Impact
Australian Assets			AUD \$000
Forward electricity price path (including renewable energy credits)	10% reduction in future electricity pricing	10% increase in future electricity pricing	- \$33,751 / + \$33,747
Generation volume	10% reduction in future production	10% increase in future production	- \$29,382 / + \$29,382
Operating costs	10% increase in future operating expenditure	10% decrease in future operating expenditure	- \$11,289 / + \$11,289
Discount rate post tax	7.125%	6.125%	- \$9,269 / + \$9,913
New Zealand Assets			NZD \$000
Generation volume	10% reduction in future production	10% increase in future production	- \$22,471 / + \$22,471
Operating costs	10% increase in future operating expenditure	10% decrease in future operating expenditure	- \$9,550 / + \$9,550
Discount rate post tax	7.500%	6.500%	- \$5,373 / + \$6,628

Some of these inputs are not based on inputs observable in the market. Under NZ IFRS 13 they are classified within Level 3 of the 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 life assets are subject to a greater degree of judgement.

If the estimated useful lives of generation assets were 10% higher/lower, net profit after tax for the year would have increased/(decreased) by \$2,726,000/\$(3,332,000) (2019: \$4,811,000/\$(5,880,000)).

Note 7: Intangible assets

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

Note 8: Cash and other financial assets

	2020 \$000	2019 \$000
Cash at bank	228,799	94,940
Other financial assets	449,989	225,468
	678,788	320,408

Other 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 \$0.1M (31 March 2019: \$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 9: Other investments

There were no other investments or business combinations in the year ended 31 March 2020 or in the year ended 31 March 2019.

Note 10: 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 transactions over \$0.5M in accordance with Tilt Renewables' Treasury Policy. The total notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2020 was \$50.6M (31 March 2019: \$Nil).

Electricity price risk

At 31 March 2020, in Australia over 41% (31 March 2019: 75%) and in New Zealand 100% (31 March 2019: 100%) of electricity 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 can 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 11:** Loans and borrowings
- **Note 12:** Lease liabilities
- **Note 13:** Finance income and costs
- **Note 14:** Financial risk management – funding

Note 11: Loans and 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 5 September 2019, Tilt Renewables signed the non-recourse Waipipi Wind Farm project finance facility agreement to fund the construction of the Waipipi Wind Farm which reached financial close in September 2019.

On 24 October 2019, the Tilt Renewables Group reached financial close on a standalone \$616M Project Financing Facility for the Snowtown 2 Wind Farm. The proceeds of these funds were used to repay \$483M of Tilt Renewables' corporate debt facilities, close out \$27M of interest rate swap position and release \$86M into unrestricted cash balances. Furthermore, on 16 December 2019, Tilt Renewables completed the sale of Snowtown 2 Wind Farm to an entity wholly-owned by funds managed by Palisade Investment Partners Limited and First State Super. As a result of completion, Tilt Renewables received \$452M after transaction related costs which included debt. In addition, on 31 January 2020, Tilt Renewables repaid the existing Facility B NZD facility.

At 31 March 2020 Tilt Renewables has secured loan borrowings against the following facilities and limits:

	2020 \$000	2019 \$000
Facility and associated borrowing limit - AUD		
Facility A – expiry date: 31 October 2019	-	162,845
Facility B – expiry date: 31 October 2020	-	162,399
EKF Facility I – expiry date: 30 November 2032	-	138,696
EKF Facility II – expiry date: 12 July 2021	11,585	18,967
EKF Facility III – expiry date: 30 November 2026	21,124	23,943
Expansion Facility – expiry date: 31 October 2021	-	100,000
Dundonnell Syndicated Facility – expiry date: 13 November 2023	113,333	113,333
Dundonnell EKF Facility – expiry date: 21 March 2037	186,667	186,667
Waipipi Syndicated Facility - expiry date: 30 September 2024	234,615	-
Working Capital Facility	15,000	15,000
	582,324	921,850

Note 11: Loans and borrowings (continued)

	2020 Loans		
	New Zealand dollar facilities # \$000	Australian dollar facilities \$000	Total loans \$000
Repayment terms			
Less than one year	10,973	8,362	19,335
One to two years	16,169	14,057	30,226
Two to five years	21,166	92,925	114,091
Over five years	4,875	103,071	107,946
Facility establishment costs	(4,010)	(6,682)	(10,692)
	49,173	211,733	260,906
Current portion	10,087	7,276	17,363
Non-current portion	39,086	204,457	243,543
	49,173	211,733	260,906
Undrawn facilities			
Less than one year	-	-	-
One to two years	-	11,500	11,500
Two to five years	214,141	40,654	254,796
Over five years	-	40,931	40,931
	214,141	93,085	307,227
Weighted average interest			
Less than one year	2.4%	5.0%	
One to two years	2.7%	4.9%	
Two to five years	2.7%	5.4%	
Over five years	4.0%	5.8%	

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

Note 11: Loans and borrowings (continued)

	2019 Loans		
	New Zealand dollar facilities # \$000	Australian dollar facilities \$000	Total loans \$000
Repayment terms			
Less than one year	15,491	177,780	193,271
One to two years	73,507	99,018	172,525
Two to five years	13,370	192,606	205,976
Over five years	7,981	97,191	105,172
Facility establishment costs	(361)	(9,790)	(10,151)
	109,988	556,805	663,793
Current portion	15,211	174,969	190,180
Non-current portion	94,777	381,836	476,613
	109,988	556,805	666,793
Undrawn facilities			
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
	-	244,903	244,903
Weighted average interest			
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 these 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 and adjusted for any difference between the proceeds (net of transaction costs). 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 12: Lease liabilities

	2020 \$000	1 April 2019* \$000
Current portion	10,348	2,769
Non-current portion	115,163	42,813
	125,511	45,582

*In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under NZ IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of NZ IFRS 16 on 1 April 2019, please refer to note 21.

	1 April 2019* \$000	Impact of adoption of NZ IFRS 16 \$000	31 March 2019 \$000
Current portion	2,769	1,191	1,578
Non-current portion	42,813	21,478	21,335
	45,582	22,669	22,913

Amounts recognised in the income statement:

	Note	2020 \$000	2019 \$000
Interest charges for lease liabilities	13	4,833	-
Expense relating to short-term leases (included in generation costs and other operating expenses)		580	-
Expense relating to leases of low-value that are not shown above as short-term leases (included in other operating expenses)		240	-
Expense relating to variable lease payments not included in lease liabilities* (included in generation costs)		2,304	-

*Variable lease payments not included in lease liabilities relate to royalty expenses above contracted minimum amounts.

The total cash outflow for leases for the year ending 31 March 2020 was \$3.9M.

Note 13: Finance income and costs

	2020 \$000	2019 \$000
Interest paid on bank loans	14,480	24,569
Interest charges for lease liabilities	4,833	-
Other finance costs and fees	27,222	6,823
Total interest expense	46,535	31,392
Interest received on cash at bank	7,174	1,261
Total interest income	7,174	1,261

Capitalised interest in the year ended 31 March 2020 associated with the Dundonnell Wind Farm and Waipipi Wind Farm syndicated facility totalled \$2,676,274 (31 March 2019: \$930,956; Waipipi Wind Farm Syndicated Facility commenced in September 2019).

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 14: 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'.

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 2020, approximately 19% of drawn Tilt Renewables debt is denominated in New Zealand dollars (31 March 2019: approximately 16%).

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 14: 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 BBB+ 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 during the financial year 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 8,100 shareholders, the two largest shareholders are Infratil Limited (65.64%) and Mercury NZ Limited (19.96%).

This section includes the following notes:

- **Note 15:** Shares and dividends
- **Note 16:** Imputation and franking credit account
- **Note 17:** Financial risk management - equity

Note 15: Shares and dividends

	12 months ended 31 March 2020 Cents per share	12 months ended 31 March 2019 Cents per share	12 months ended 31 March 2020 \$000	12 months ended 31 March 2019 \$000
Final dividend prior year	-	1.80	-	5,634
Interim dividend current year - declared subsequent to the end of the reporting period	-	1.60	-	5,008
Dividends paid on ordinary shares	-	3.40	-	10,642

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: Shares and dividends (continued)

	12 months ended 31 March 2020 000's of shares	12 months ended 31 March 2019 000's of shares	12 months ended 31 March 2020 \$000	12 months ended 31 March 2019 \$000
Total issued ordinary shares at the beginning of the period	469,460	312,973	259,933	-
Movements in issued and fully paid ordinary shares in the period:	-	-	-	-
Equity raise costs	-	-	(205)	-
Issued during the period	759	156,487	1,845	259,933
Authorised and issued ordinary shares at the end of the period	470,219	469,460	261,573	259,933

On 16 May 2019, 601,599 shares were issued in accordance with the Employee Share Plan and Development Business Incentive Plan. On 5 December 2019, a further 157,590 shares were issued in accordance with the Long Term Incentive Plan. The resulting total number of shares on issue from this date is 470,218,875.

All fully paid ordinary shares have equal voting rights and share equally in dividends and equity.

Note 16: Imputation and franking credit account

	2020 \$000	2019 \$000
Imputation credits available for use in subsequent reporting periods	7,595	3,576
Franking credits available for use in subsequent reporting periods	48,263	44,581
	55,858	48,157

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 year ended 31 March 2020.

Note 17: 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.

Note 17: Financial risk management – equity (continued)

The gearing ratio is calculated below:

	Note	2020 \$000	2019 \$000
Net debt			
Bank and other debt	11	260,906	689,706
Lease liabilities		125,511	22,913
Cash at bank	8	(228,799)	(94,940)
		157,618	617,679
Equity			
Total equity		1,183,282	655,976
		1,183,282	655,976
Total capital funding		1,340,900	1,273,655
Gearing ratio		12%	48%

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 18:** Tax reconciliation
- **Note 19:** Deferred tax
- **Note 20:** Accounting policies - taxation
- **Note 21:** Adoption of NZ IFRS 16 Leases
- **Note 22:** Capital and other commitments
- **Note 23:** Related parties
- **Note 24:** Contingent liabilities and legal matters
- **Note 25:** COVID-19 impact
- **Note 26:** Events after balance date

Note 18: Tax reconciliation

	2020 \$000	2019 \$000
Profit before income tax	483,087	19,112
Tax on profit (30%)	144,926	5,734
Tax effect of non-assessable revenue	(140,880)	534
Reconciliation difference between tax jurisdictions	(80)	63
Income tax under provided in prior year	688	602
	4,654	6,933
<i>Represented by</i>		
Current tax	282	12,687
Deferred tax	4,372	(5,754)
	4,654	6,933

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 19: Deferred tax

	2020 \$000	2019 \$000
Balance at beginning of period	105,279	161,668
Current year changes in temporary differences recognised in profit or loss	4,372	(5,754)
Current year changes in temporary differences recognised in other comprehensive income	2,514	(50,364)
Current year changes in temporary differences recognised directly in equity	493	(648)
Reclassification of prior year temporary differences	-	(237)
Exchange rate movements on foreign denominated deferred tax	440	614
Disposal of subsidiaries	(85,043)	-
Total deferred tax liabilities	28,055	105,279
<i>Comprising</i>		
Deferred tax liabilities to be recovered after more than 12 months	32,427	99,288
Deferred tax liabilities to be recovered within 12 months	(4,372)	5,991
	28,055	105,279

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
For the year ended 31 March 2020 (\$000)				
Revaluations	137,772	-	(39,593)	98,179
Other property, plant and equipment	(29,441)	(4,112)	-	(33,553)
Employee benefits	(1,284)	(205)	437	(1,052)
Financial instruments	(2,333)	5,624	(39,929)	(36,638)
Other	565	3,065	(2,511)	1,119
	105,279	4,372	(81,596)	28,055
For the year ended 31 March 2019 (\$000)				
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

Note 20: Accounting policies - taxation

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).

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. 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 and Waverley Wind Farm (NZ) Holding 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 and Waverley Wind Farm (NZ) Holding 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 consolidated group of companies for GST purposes.

Note 21: Adoption of NZ IFRS 16 leases

NZ IFRS 16 replaces NZ IAS 17 Leases and removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. Similar to the previous finance lease model, this has resulted in the Group recognising right-of-use assets and related lease liabilities on the statement of financial position. As a result, payments for leases previously classified as operating leases – which include leases of land and buildings, and electricity transmission lines – have been reclassified from generation costs and other operating expenses to depreciation and interest expense. Lessor accounting remains materially unchanged from current practice under the new standard.

The Group has adopted NZ IFRS 16 using the modified retrospective approach and has not restated comparative amounts for the period prior to first adoption. The Group has utilised the recognition practical expedients specified in NZ IFRS 16 in respect of short-term and low value leases where appropriate. The Group has also elected to apply the practical expedient which states that an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application.

The lease liability was measured at the present value of the lease payments, discounted at the incremental borrowing rate applicable to that lease (or portfolio of leases) at 1 April 2019. In line with the modified retrospective approach, the associated right-of-use assets were measured at the amount equal to the lease liability relating to that lease at 1 April 2019, with no overall change in net assets.

Note 21: Adoption of NZ IFRS 16 leases (continued)

Lease liabilities include the net present value of lease payments as well as reasonably certain extension options. Lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate of the Group (where possible using recent third-party financing) if an interest rate cannot be readily determined. Lease payments are allocated between principal payments and finance costs which are charged to the income statement over the lease period.

Right of use assets are measured at cost comprising of the initial lease liability amount, direct or restoration costs as well as pre commencement date lease payments. Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

A short lease terms of less than 12 months and low value asset payments are recognised on a straight line basis as an expense in the income statement.

Adjustments to lease liabilities recognised on adoption of NZ IFRS 16

	1 April 2019 \$000
Operating lease commitments disclosed as at 31 March 2019	61,595
(Less): short-term leases recognised on a straight-line basis as expense	(580)
(Less): low-value leases recognised on a straight-line basis as expense	(240)
(Less): contracts reassessed as capital commitments	(2,772)
(Less): future dated lease commitments	(27,051)
Add: Extension and termination options reasonably certain to be exercised	2,766
Discounted using incremental borrowing rate at the date of initial application	(11,049)
Lease liability recognised as at 1 April 2019	22,669
Current lease liabilities	1,191
Non-current lease liabilities	21,478
	22,669

The impact of adoption of NZ IFRS 16 on the Group's opening retained earnings / net assets as at 1 April 2019 is summarised below:

	1 April 2019 \$000
Right-of-use-assets	22,669
Lease liabilities	(22,669)
Change in Net Assets	-

Transmission lease asset with a net book amount of \$22.0M and corresponding lease liability of \$22.9M has been previously accounted for under NZ IAS 17. The terms of the existing transmission leases were not required to be reassessed on adoption of NZ IFRS 16 so there is no impact to the Statement of Financial Position.

Note 21: Adoption of NZ IFRS 16 leases (continued)

The weighted average incremental borrowing cost applied at 1 April 2019 was 4.54% in Australia and 4.68% in New Zealand for the lease liabilities. The terms of the existing Salt Creek and Dundonnell transmission leases were not required to be reassessed on adoption of NZ IFRS 16.

The estimated undiscounted future operating lease commitments relating to operating asset minimum generation payments, as a result of adoption of NZ IFRS 16, total \$27.1M for the Dundonnell Wind Farm project and \$15.5M for the Waipipi Wind Farm project. These costs will be reflected in the NZ IFRS 16 disclosure note at the time the projects' achieve their Commercial Operations Date.

The Dundonnell Wind Farm transmission line was energised at the end of January 2020 and associated lease commitment obligations have been reflected since this energisation date.

Snowtown 2 Wind Farm right-of-use assets were disposed of as part of the asset sale on 16 December 2019. As a result of this asset sale, the right-of-use assets were impacted by \$(8,038,373) and the lease liabilities were impacted by \$8,135,754. The Snowtown 2 Wind Farm impact on the Consolidated Income Statement table above for the financial year period to the sale date of 16 December 2019 include operating expenses of \$(463,529), depreciation of \$284,941 and interest expense of \$275,969.

Note 22: Capital and other commitments

	2020 \$000	2019 \$000
Committed but not provided for	430	470
Capital commitments	430	470

The table above includes the remaining project construction costs as well as the undiscounted future land owner lease and easement commitments for the Dundonnell Wind Farm and Waipipi Wind Farm construction projects.

As outlined in Note 21, the undiscounted future land owner lease and easement commitments will be reflected in the NZ IFRS 16 disclosure note at the time the projects' achieve their Commercial Operations Date.

Note 23: Related parties

	2020 \$000	2019 \$000
Key management personnel compensation		
Annual remuneration	2,882	2,729
	2,882	2,729
Transactions with other related parties		
<i>Sales and purchases of goods and services</i>		
Supply of electricity to related parties	39,499	39,197
Purchase of support services from parent	45	112
<i>Other transactions</i>		
Management services from parent	380	1,167
Reimbursement of takeover fees	-	1,861
Outstanding balances with other related parties		
<i>Sales and purchases of goods and services</i>		
Supply of electricity and services to related parties	2,920	2,260
<i>Other transactions</i>		
Reimbursement of takeover costs	-	1,861

Shareholders

Tilt Renewables is controlled by Infratil 2018 Limited (incorporated in New Zealand) which owns 65.64% of Tilt Renewables Limited's voting shares, Mercury NZ Limited owns 19.96% and the residual balance of 14.4% 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 (2019: \$Nil), and there are no debt amounts outstanding at 31 March 2020 (2019: \$Nil).

Note 24: Contingent liabilities and legal matters

Snowtown Wind Farm Stage 2 Pty Ltd, a wholly-owned subsidiary of Tilt Renewables, has been served with court proceedings on behalf of the Australian Energy Regulator (AER) in relation to their investigations into the black system event which occurred in South Australia on 28 September 2016. The company will continue to engage with the AER in an endeavour to resolve this matter.

As outlined in Note 2, Snowtown Wind Farm Stage 2 Pty Ltd has been subsequently sold from the Group as part of the Snowtown 2 Wind Farm Holdings Pty Ltd sale in December 2019. Following this sale, should any potential future liabilities arise from these ongoing court proceedings, the liability will remain due and payable by the Group.

The Group is not aware of any other material contingent liabilities at the balance date that have not been disclosed elsewhere in these financial statements (2019: \$Nil).

Note 25: COVID-19 impact

Operational assets in both Australia and New Zealand provide a 'lifeline utility' or 'essential service' and therefore have not been subject to lockdown restrictions. In addition, appropriate protective measures against the spread of COVID-19 are in place and all people have been kept safe. To date, the Group has not experienced any material impact attributable to COVID-19 on the operational asset fleet, generation volume, costs or revenue. The majority of the production from the current operating assets is covered by long term offtake agreements with strong, well capitalised counterparties, producing healthy cashflows which are resilient to short term market fluctuations.

In relation to the construction projects, the Group has been working closely with its project partners to mitigate the impact of COVID-19 and again, all people have been kept safe. For the Dundonnell Wind Farm in Victoria, Australian construction works have continued by implementing appropriate protocols and procedures designed to minimise the risk of any spread of the COVID-19 virus. The Group has been able to ensure that the supply chain of key equipment is not materially impacted by COVID-19 and the remaining equipment has arrived in Australia. For the Waipipi Wind Farm in South Taranaki, New Zealand, construction on site was suspended during the New Zealand Alert Level 4 period. With the easing of these restrictions to Alert Level 3 and then Level 2, site construction has now recommenced. Similarly, the domestic and international supply chain for key equipment is operational and not expected to materially impact the project programme. Ongoing border restrictions in both New Zealand and Australia have presented some challenges with respect to movement of key project personnel. However, at this stage alternative local resources with sufficient expertise have been identified where required, and at this time this is not expected to impact either project materially. Both construction projects remain fully funded, within the approved project budget and the expected Commercial Operation Date (COD) for each remains generally in line with expectations. Overall, the financial impact of COVID-19 on these projects has been minimal.

Offtake agreements for both construction projects are not expected to be affected as there are significant buffers in place between expected project completion dates and those required under these offtake agreements.

Furthermore, at this point in time, it is not expected that COVID-19 will have a material, adverse impact on the Group's ongoing business or the carrying value of its operational or construction assets. This is due to the long-term nature of Tilt Renewables' assets, with the majority of production covered by long term offtake agreements.

Note 26: Events after balance date

On 7 April 2020 Tilt Renewables announced its intention to return approximately A\$260M (approximately A\$0.55 per share) to shareholders via a pro-rata share buy-back. The buy back is intended to be undertaken by way of a Court approved scheme of arrangement in accordance with Part 15 of the Companies Act 1993 (New Zealand). An application for initial orders from the High Court to consider the scheme of arrangement was filed on 28th April 2020 and on 5th May Tilt Renewables announced that initial orders have been obtained from the High Court.

The scheme will involve all Tilt Renewables' shareholders:

- a) having one share cancelled for every five shares held (together with all rights attaching to those shares).
Fractions of a share will be rounded up or down to the nearest whole number (with 0.5 rounded up); and
- b) receiving a cash sum of NZ\$2.91 for each share cancelled.

The initial orders from the Court include the calling of a meeting of shareholders to consider and approve the scheme. A Notice of Meeting has been issued to shareholders for a special meeting of shareholders which will occur on 10th June 2020. If shareholders approve the scheme, Tilt Renewables intends to seek final orders sanctioning the scheme from the High Court under Part 15 of the Companies Act 1993 with payment then being made to shareholders in the second week of July 2020.

Other than outlined above, the Group is not aware of any other significant events that have occurred subsequent to balance date but prior to signing of these financial statements (2019: \$Nil).

APPENDIX

For the year ended 31 March 2020

Note A1: Significant accounting policies index

Policy	Note
Basis of preparation	1
Revenue recognition	4
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Property, plant and equipment	5
Borrowings	11
Shares and dividends	15
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Supplementary accounting information and changes in accounting policies	A15

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 and fair value movements (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	2020 \$000	2019 \$000
Profit after tax attributable to the shareholders of the Group		478,433	12,179
Fair value losses on derivative financial instruments	A9	8,514	1,980
Net surplus from sale of subsidiaries	2	(485,975)	-
Adjustments before income tax		(477,461)	1,980
Underlying earnings after tax		972	14,159

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.

	Note	2020 \$000	2019 \$000
Profit after tax attributable to the shareholders of the Group (\$000)		478,433	12,179
Weighted average number of ordinary shares in issue ('000s)		470,219	469,460
Basic earnings per share (cents per share)		101.75	2.59
Diluted earnings per share (cents per share)		101.75	2.59
Underlying earnings after tax (\$000)		972	14,159
Weighted average number of ordinary shares in issue ('000s)		470,219	469,460
Underlying earnings per share (cents per share)		0.21	3.02

Note A4: Net tangible assets per share

	Note	2020	2019
Total net assets		1,183,282	655,976
Less intangible assets		(546)	(546)
Less transmission lease assets		(109,110)	-
Less right of use assets		(13,361)	-
Net tangible assets attributed to shareholders		1,060,265	655,430
Number of ordinary shares in issue (000s)		470,219	469,460
Net tangible assets per share (dollars per share)		2.25	1.40

Note A5: Other operating expenses

	Note	2020 \$000	2019 \$000
Remuneration of auditors	A6	470	629
Directors' fees		798	820
Donations		61	29
Generation development expenditure		4,758	4,919
Other administration costs		5,070	5,976
		11,157	12,373

Note A6: Remuneration of auditors

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

	2020 \$000	2019 \$000
Audit and other assurance services		
Audit services	223	263
Other assurance services	54	86
Total audit and other assurance services	277	349
Taxation services		
Tax compliance services and review of company income tax returns	49	51
Tax compliance advice	96	131
Total taxation services	145	182
Other services		
Consulting services – development projects	-	85
Consulting services – other	48	13
Total other services	48	98
Total taxation and other services	193	280
Total remuneration of PricewaterhouseCoopers	470	629

Note A7: Accounts receivable and prepayments

	2020 \$000	2019 \$000
Current portion		
Electricity market and green certificate receivables	9,936	13,341
Other receivables and prepayments	9,045	13,396
	18,981	26,710

Electricity market and green certificate 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

	2020 \$000	2019 \$000
Current portion		
Employee entitlements	1,120	494
Interest accruals	537	3,011
GST payable	685	3,132
Other accounts payable and accruals	54,985	9,878
	57,327	16,515
Non-current portion		
Other accounts payable and accruals	2,743	2,694
	2,743	2,694

Trade payables

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

Note A9: (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 2020 are summarised below:

	2020 \$000	2019 \$000
(Gains) / losses recognised in the income statement		
Derivative financial instruments - interest rate	8,592	15,569
Derivative financial instruments - energy derivatives	(78)	441
Derivative financial instruments - power purchase agreements	-	(14,030)
	8,514	1,980
Recognised in the cash flow hedge reserve (before tax effect)		
Derivative financial instruments - interest rate	34,699	25,190
Derivative financial instruments - foreign exchange	(1,545)	-
Derivative financial instruments - energy derivatives	(9,412)	6,945
Derivative financial instruments - power purchase agreements	24,124	(4,549)
	47,866	27,585

Note A9: (a) Fair value gains/losses on financial instruments (continued)**Derivative financial instruments**

	2020 \$000	2019 \$000
Current assets		
Derivative financial instruments - interest rate	-	3
Derivative financial instruments - foreign exchange	1,573	-
Derivative financial instruments - energy derivatives	3,129	286
	4,702	289
Current liabilities		
Derivative financial instruments - interest rate	3,540	5,672
Derivative financial instruments - energy derivatives	363	6,445
Derivative financial instruments - power purchase agreements	1,293	7,677
	5,196	19,794
Non-current assets		
Derivative financial instruments - energy derivatives	-	13
Derivative financial instruments - power purchase agreements	4,264	113,307
	4,264	113,320
Non-current liabilities		
Derivative financial instruments - interest rate	56,826	38,523
Derivative financial instruments - energy derivatives	-	1,265
Derivative financial instruments - power purchase agreements	10,504	3,022
	67,330	42,810

Note A9: (b) Fair value measurements of financial instruments**(i) Liquidity risk**

The tables below provides an analysis of 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	1-6 months \$000	6-12 months \$000	1-2 years \$000	2-5 years \$000	5 years + \$000	Contractual cash flows total \$000	Carrying amount (assets) / liabilities total \$000
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
As at 31 March 2020							
Derivative financial instruments - interest rate	4,099	4,259	8,817	21,237	24,519	62,931	60,366
Derivative financial instruments - energy derivatives	338	25	-	-	-	363	363
Derivative financial instruments - power purchase agreements	561	781	158	2,362	15,106	18,968	11,797
Accounts payable and accruals	57,424	97	194	776	1,579	60,070	60,070
Lease liabilities	5,952	5,355	21,131	33,527	263,759	329,724	125,511
Secured loans	5,486	16,148	31,804	363,612	148,877	565,927	271,598
Total	73,860	26,665	62,104	421,514	453,840	1,037,983	529,705
As at 31 March 2019							
Derivative financial instruments - interest rate	2,390	3,351	9,435	20,491	10,615	46,282	44,195
Derivative financial instruments - energy derivatives	3,044	3,401	1,265	-	-	7,710	7,710
Derivative financial instruments - power purchase agreements	5,570	2,342	1,291	-	3,726	12,929	10,699
Accounts payable and accruals	16,417	97	194	776	1,725	19,209	19,209
Lease liabilities	825	825	1,694	5,358	62,626	71,329	22,913
Secured loans	32,814	181,806	134,903	248,052	300,714	898,289	676,944
Total	61,059	191,822	148,782	274,677	379,406	1,055,746	781,670

Note A9: (b) Fair value measurements of financial instruments (continued)

(ii) Interest rate risk

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 31 March 2020 was \$460M (2019: \$481M) of Australian and \$258M (2019: \$86M) 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 and Waipipi Wind Farm projects.

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.

Sensitivity analysis

At 31 March 2020, 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.

	2020 \$000	2019 \$000
(Decrease) to profit of a 100 basis point decrease in interest rates	(623)	(12,708)
Increase to profit of a 100 basis point increase in interest rates	592	12,087
(Decrease) to equity of a 100 basis point decrease in interest rates	(35,940)	(30,251)
Increase to equity of a 100 basis point increase in interest rates	32,435	27,549

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

Note A9: (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

Note A9: (c) Fair value measurements (continued)

Valuation Input	Source
Interest rate forward price curve	Published market swap rates
Foreign exchange forward prices	Published spot foreign exchange rates
Electricity forward price curve	Market quoted prices where available and management's best estimate based on its view of the long run marginal cost of new generation where no market quoted prices are available
Discount rate for valuing interest rate derivatives	Published market interest rates as applicable to the remaining life of the instrument
Discount rate for valuing forward foreign exchange contracts	Published market rates as applicable to the remaining life of the instrument
Discount rate for valuing electricity price derivatives	Assumed counterparty cost of funds ranging from 3.3% to 4.1% (31 March 2019: 3.3% to 4.1%)

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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 for the year ending 31 March 2020 (31 March 2019: \$Nil).

The fair value for generation assets is disclosed in Note 5.

Note A9: (c) Fair value measurements (continued)

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
31 March 2020				
Assets per the statement of financial position				
Derivative financial instruments - foreign exchange	-	1,573	-	1,573
Derivative financial instruments - energy derivatives	-	3,129	-	3,129
Derivative financial instruments - power purchase agreement	-	-	4,264	4,264
	-	4,702	4,264	8,966
Liabilities per the statement of financial position				
Derivative financial instruments - interest rate	-	60,366	-	60,366
Derivative financial instruments - energy derivatives	-	363	-	363
Derivative financial instruments - power purchase agreement	-	-	11,797	11,797
	-	60,729	11,797	72,526
31 March 2019				
Assets per the statement of financial position				
Derivative financial instruments - interest rate	-	3	-	3
Derivative financial instruments - energy derivatives	-	299	-	299
Derivative financial instruments - power purchase agreement	-	-	113,307	113,307
	-	302	113,307	113,609
31 March 2019				
Liabilities per the statement of financial position				
Derivative financial instruments - interest rate	-	44,195	-	44,195
Derivative financial instruments - energy derivatives	-	7,710	-	7,710
Derivative financial instruments - power purchase agreement	-	-	10,699	10,699
	-	51,905	10,699	62,604

Note A9: (c) Fair value measurements (continued)

(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 power purchase 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 2020.

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 power purchase 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

Note A9: (c) Fair value measurements (continued)

(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.

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 as at 31 March 2020</i>			AUD \$000
Forward electricity price path	10% increase in future electricity pricing	10% reduction in future electricity pricing	-\$5,556 / +\$5,542
Generation volume	10% reduction in future production	10% increase in future production	-\$717 / +\$715
Discount rate post tax	7.125%	6.125%	-\$311 / +\$297

The Group enters into agreements to manage its power purchase agreement, electricity, interest rate, and foreign exchange risks.

In accordance with the Group's risk management policies, the Group does not hold or issue derivative financial instruments for speculative purposes. However, certain derivatives do not qualify for hedge accounting and are required to be accounted for at fair value through the income statement. Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated effective as a hedging instrument, in which event, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

The Group designates certain hedging instruments as cash flow hedges. At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in equity. The gain or loss relating to the ineffective portion is recognised in the income statement. Amounts presented in equity are recognised in the income statement in the periods when the hedged item is recognised in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is recognised in the income statement.

Note A10: Investments in subsidiaries and associates

	Parent and Group Significant subsidiaries (31 March balance dates)	Country of incorporation and place of business	% Owned by Tilt Renewables Ltd		Nature of business
			2020	2019	
#	Tilt Renewables Australia Pty Ltd	Australia	100	100	Holding company and development
	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 Wind Farm Pty Ltd	Australia	100	100	Electricity generation
	Snowtown 2 Wind Farm Holdings Pty Ltd <i>(incorporated on 3 July 2019 and sold on 16 December 2019)</i>	Australia	-	-	Holding company
	Snowtown South Wind Farm Pty Ltd <i>(sold on 16 December 2019)</i>	Australia	-	100	Electricity generation
	Snowtown Wind Farm Stage 2 Pty Ltd <i>(sold on 16 December 2019)</i>	Australia	-	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	Electricity generation
#	Salt Creek Wind Farm Pty Ltd	Australia	100	100	Generation development
#	Tilt Renewables Retail Pty Ltd <i>(name changed from Wingeel Wind Farm Pty Ltd on 6 March 2020)</i>	Australia	100	100	Financial services
#	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	Australia	100	100	Generation development
	Waverley Wind Farm Limited	New Zealand	100	100	Generation development
	Waverley Wind Farm (NZ) Holding Limited <i>(incorporated 5 July 2019)</i>	New Zealand	100	-	Holding company
#	Fiery Creek Wind Farm Pty Ltd <i>(incorporated on 7 November 2019)</i>	Australia	100	-	Generation development
#	Fiery Creek Wind Farm Holdings Pty Ltd <i>(incorporated on 7 November 2019)</i>	Australia	100	-	Generation development
	Western Downs Solar Project Pty Ltd <i>(acquired on 11 January 2019 and sold on 30 March 2020)</i>	Australia	-	100	Generation development

Entered into a Deed of Cross Guarantee with Tilt Renewables Limited removing the requirement for the preparation of separate financial statements where preparation of a separate financial statement is required (refer to Note A11).

Except as noted under Note A11, 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 A11: Deed of cross guarantee

A Deed of Cross Guarantee was entered into on 31 March 2017 and has been periodically amended to include new legal entities and also the remove entities who are no longer part of the Group.

Note A10 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:

- Tilt Renewables Financing Partnership
- Waverley Wind Farm Limited
- Waverley Wind Farm (NZ) Holding Limited (incorporated 5 July 2019)

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.

Note A12: Reconciliation of net cash from operating activities

	2020 \$000	2019 \$000
Profit after tax	478,433	12,179
<i>Items classified as investing/financing</i>		
Interest paid	52,511	28,594
Interest received	(6,325)	(1,261)
Repayment of lease principal	2,001	-
Gain on sale of subsidiaries	(485,976)	-
	(437,789)	27,333
<i>Non-cash items</i>		
Depreciation	72,539	83,568
Share based staff remuneration	1,554	377
Movement in derivative financial instruments taken to the income statement	(19,407)	1,980
Movement in deferred tax liability excluding transfers to reserves	3,052	(5,377)
Payment to suppliers and employees taken to the balance sheet	(15,491)	(4,791)
	42,247	75,757
<i>Movements in working capital</i>		
Accounts receivable and prepayments	2,707	(561)
Taxation payable/receivable	(8,401)	(2,697)
Accounts Payable and accruals excluding amounts relating to capital expenditure	19,177	353
	13,483	(2,905)
Net cash from operating activities	96,374	112,364

Note A13: Key management personnel disclosures and employee share schemes

Members of Tilt Renewables 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.

On 5 December 2019, 157,590 shares were exercised at a price of NZ\$3.37.

	2020 # of rights	2019 # of rights
Number of performance rights		
Outstanding at the beginning of the year	1,331,406	819,476
Granted during the period	489,039	614,577
Forfeited during the period	(226,809)	(102,647)
Exercised during the period	(157,590)	-
Outstanding at the end of the year	1,436,046	1,331,406
	2020 \$000	2019 \$000
Share based payments	1,602	377

Note A14: Property, plant and equipment at historic cost

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

	2020 \$000	2019 \$000
Property, plant and equipment (at cost)	804,452	1,158,411
Property, plant and equipment accumulated depreciation	(332,337)	(438,416)
	472,115	719,995

Note A15: Supplementary accounting information and changes in accounting policies

A15.1 Cash flow statement

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

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

A15.2 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.

A15.3 Adoption status of relevant new financial reporting standards and interpretations

The following new standards have been issued and are effective:

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.
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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.