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# GROWING ASSETS FOR GOOD

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# CHIEF EXECUTIVE REPORT

Tilt Renewables Limited (the Group) is pleased to present this interim report for the six-month period ended 30 September 2019

## Key highlights for 1H FY20

Highlights for the six-month period ending 30 September 2019 included:

- Safety performance has continued to improve, which is encouraging given that the Group has two major construction projects underway and several large maintenance programmes were completed recently. There were 2 Recordable Injuries and 0 Lost Time Injuries across the group during the period.
- The decision to proceed to construction at the Waipipi wind farm in New Zealand means that, combined with the Dundonnell wind farm, the Group now has 469 MW under construction for a total investment of more than \$900 million. Once completed, both projects will bring the total assets under management to more than 1100 MW, nearly twice that at the time of demerger from Trustpower in October 2016.
- The strategic review of the Snowtown 2 wind farm continues, with several options for the future of that asset being assessed. As part of the review, a new \$616 million non-recourse project debt facility for Snowtown 2 was established just after the period end, removing the asset from the Group debt facility and setting the stage for flexibility around the future of this asset. This new facility effected the refinancing of a tranche of debt which was falling due in October and repaid several other facilities held by the Group. As a result, total debt held by the Group has increased, and \$86.5 million in unrestricted free cash is now available to the Group.
- Progress with other development pipeline projects has been largely as planned and generally focused on NSW wind plus Australian storage and firming assets. During the period Tilt Renewables withdrew from the Highbury pumped hydro opportunity as feasibility studies concluded the site would not produce an economically viable option in the foreseeable market conditions.
- Total Group production was 1,062 MWh with the Australian assets performing well, reflecting a full half year of production from Salt Creek, good wind conditions and higher reliability, including at the Snowtown 2 wind farm.
- Operating revenue was \$103.4 million.
- Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Movements of Financial Instruments ("EBITDAF") achieved were \$71.4 million.



**Deion Campbell**  
Chief Executive

- Net cash delivered from operating activities was \$50.8 million. A total of NZ\$36.6 million in cash was used for the Waipipi wind farm investment, which was able to be made without requiring additional equity to be raised from shareholders.

## Business performance in 1H FY20

As with the prior corresponding period, 1H FY20 saw strong asset reliability combined with higher than long-term average wind resource to deliver higher than expected energy yield. Production of 1,062 MWh was 0.7% down on the same period last year and 1.4% ahead of long-term expectations. An estimated 20 GWh of potential generation was lost due to the South Australia System Strength Constraint imposed by AEMO, which was 35% lower than the loss incurred in the same period in FY19, reflecting the work being undertaken to relieve the effects of the constraint.

Group revenue, at \$103.4 million was 7.1% higher than 1H FY19, a combination of healthy wind, full period contribution from Salt Creek and annual increases in PPA prices. EBITDAF was up by 6.7% to \$71.4 million. Net Profit After Tax increased 39.5% to \$11.9 million. These results reflect lower depreciation charges following revaluation of the Australian assets in FY19 and some capitalisation of larger component replacement costs under the operations and maintenance contracts.

As a result of the encouraging first half results, full year EBITDAF guidance range is increased to between \$127 million and \$132 million.

At 30 September 2019, prior to the new Snowtown 2 non-recourse debt facility being implemented, the Group had net debt of \$615.3 million and unutilised committed funding lines of more than \$450 million. Following the new debt facility reaching financial close on 24 October 2019, net debt increased to \$645.4 million and balance sheet gearing increased to 52% a level which is considered appropriate at this time and is supported by the high level of contracted revenue from highly reliable assets held by the Group.

#### Future Focus and Outlook

Tilt Renewables' core strategic belief that a portfolio of well-developed and suitably located renewable energy generation and storage options will provide attractive investment opportunities over time, remains unchanged.

The team is confident that the projects being progressed on both sides of the Tasman are in the top tier of options in the market. At more than 3,400 MW, the Group's development pipeline is of significant scale and diversity, and the company has proven it has the capability and capacity to deliver shareholder value by responding to market opportunities.

Having achieved our strategic goal at the time of demerger from Trustpower, which was to double our installed generation base, it is now time for the company to establish new goals and set off achieving them. This is an exciting time for the business and the high level of support from we currently enjoy from shareholders, customers, financiers, and our communities, will remain a key driver of our success.

What is clear to us, is that both the markets we operate in are continuing to pursue a lower carbon electricity supply and our passionate team of 44 people are working hard to make sure Tilt Renewables plays a part in that outcome.

#### Dividend

Considering the near-term growth opportunities available to the company, the Directors have determined it prudent to not pay an interim dividend, in anticipation of this cash being required to fund these opportunities.

The Dividend Policy has also been updated to reflect the likelihood of the company continuing to hold cash to help fund growth opportunities. The policy now has a pay-out range of 0-50% of operating free cash flow after debt servicing.



**Deion Campbell**  
Chief Executive

**SAFETY**  
ZERO LOST TIME INJURIES



## Business performance

1H FY20 result	Units	1H FY20	1H FY19	Change
Safety – Lost Time Injury Frequency Rate (12 month rolling)	Incidents per million hours	2.3	8.2	(71.9%)
Revenue	AUD \$M	103.4	96.6	7.1%
EBITDAF	AUD \$M	71.4	66.9	6.7%
Net profit after tax	AUD \$M	11.9	8.5	40.0%
Basic earnings per share	AUD cps	2.52	2.71	(7.0%)
Underlying earnings per share	AUD cps	4.01	1.21	231.4%
Interim dividends per share	AUD cps	-	1.60	N/A

\* Amounts have been restated to reflect prior period accounting adjustments.

## Wind assets

	1H FY20			1H FY19			Change		
GWh	Aust	NZ	Group	Aust	NZ	Group	Aust	NZ	Group
Electricity production	734	328	1,062	712	358	1,070	3.1%	(8.4%)	(0.7%)

### Notes

1. EBITDAF is a non GAAP financial measure but is commonly used within the energy and infrastructure sectors as a measure of performance as it shows the level of earnings before impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use this measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.
2. Net debt is a measure of indebtedness to external funding providers net of deposits held with those providers and is defined as bank loans less cash at bank.
3. Balance sheet gearing is defined as Net Debt over the sum of Net Debt plus Equity.
4. All numbers referred to are in AUD.

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period six months to 30 September 2019

Previous reporting period six months to 30 September 2018

		Amount \$000's	Percentage change
Revenue from ordinary activities		103,401	7.1%
Profit from ordinary activities after tax attributable to shareholders		11,855	39.5%
Net profit attributable to shareholders		(15,429)	N/A
	Amount per share	Imputed amount per share	Foreign tax credit per share
Interim dividend payable	None	N/A	N/A
Interim dividend record date	N/A		
Interim dividend payment date	N/A		

## KEY METRICS

For the six months ended 30 September 2019

	1H FY20	1H FY19
Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF) (\$M)	71.4	66.9
Profit after tax (\$M)	11.9	8.5
Underlying earnings after tax (\$M)	18.8	3.8
Basic earnings per share (cents per share)	2.52	2.71
Dividends paid during the period (cents per share)	-	3.40
Gearing ratio	51%	48%
<b>Generation production</b>		
Australian generation production (GWh)	734	712
New Zealand generation production (GWh)	328	358
	1,062	1,070
<b>Other information</b>		
Employee numbers (full time equivalents)	41.4	36.2

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**LANDSCAPE**

## DIRECTORS' REPORT

The Directors are pleased to present the financial statements of Tilt Renewables Limited and subsidiaries for the six months ended 30 September 2019.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of Tilt Renewables Limited (the Group) as at 30 September 2019 and the financial performance and cash flows for the period ended on that date.

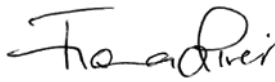
The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

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**  
Chair



**Fiona Oliver**  
Director

Company Registration Number 1212113  
Dated: 30 October 2019





# INDEPENDENT AUDITOR'S REPORT

## Report on the half-year financial statements

We have reviewed the accompanying financial statements of Tilt Renewables Limited (the Group) which comprise the consolidated statement of financial position as at 30 September 2019, the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the half-year ended on that date, and a summary of significant accounting policies and other explanatory notes.

## Director's responsibility for the financial statements

The directors of the Group are responsible on behalf of the Group for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Our responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of tax compliance and other assurance services. The provision of these other services has not impaired our independence.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2019, and its financial performance and cash flows for the period then ended, in accordance with NZ IAS 34.

## Who we report to

This report is made solely to the Group's Shareholders, as a body. Our review work has been undertaken so that we might state to the Group's Shareholders those matters which we are required to state to them in our review 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 Shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

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

**Charles Christie**  
Partner

For and on behalf of:

**Chartered Accountants, Melbourne**  
30 October 2019

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**HARNESSING**  
**PEOPLE**  
**POWER**

Tilt Renewables Limited and Subsidiaries  
For the six months ended 30 September 2019

# CONSOLIDATED INCOME STATEMENT

	Note	6 months ended 30 September 2019 \$000	6 months ended 30 September 2018 \$000
<b>Operating revenue</b>			
Electricity revenue		103,084	96,405
Other operating revenue		317	184
		<b>103,401</b>	<b>96,588</b>
<b>Operating expenses</b>			
Generation costs		19,753	19,551
Employee benefits		5,009	4,866
Other operating expenses		7,250	5,291
		<b>32,012</b>	<b>29,708</b>
<b>Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)</b>		<b>71,389</b>	<b>66,880</b>
Net fair value (gains)/losses on financial instruments		9,961	(6,743)
Depreciation		39,576	44,070
<b>Operating profit</b>		<b>21,851</b>	<b>29,553</b>
Interest paid		16,308	15,370
Interest received		(3,436)	(418)
Foreign exchange movements		(6,885)	2
<b>Net finance costs</b>		<b>5,987</b>	<b>14,954</b>
<b>Profit before income tax</b>		<b>15,865</b>	<b>14,599</b>
Income tax expense	9	4,010	6,104
<b>Profit after tax</b>		<b>11,855</b>	<b>8,495</b>
Profit after tax attributable to the shareholders of the Group		11,855	8,495
Basic earnings per share (cents per share)	4	2.52	2.71
Diluted earnings per share (cents per share)	4	<b>2.52</b>	<b>2.71</b>

The Board of Tilt Renewables Limited authorised these interim financial statements for issue on 30 October 2019.  
The accompanying notes form part of these interim financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2019 \$000	6 months ended 30 September 2018 \$000
<b>Profit after tax</b>	<b>11,855</b>	<b>8,495</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Other currency translation differences	(14,360)	(2,340)
Fair value changes in financial instruments	(79,891)	(1,516)
Tax effect of the following:		
Other currency translation differences	4,103	655
Fair value changes in financial instruments	22,500	455
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Revaluation losses on generation assets	57,809	(140,153)
Tax effect of the following:		
Revaluation losses on generation assets	(17,445)	41,734
<b>Total other comprehensive income/(expense)</b>	<b>(27,284)</b>	<b>(101,165)</b>
<b>Total comprehensive income/(expense)</b>	<b>(15,429)</b>	<b>(92,670)</b>
<b>Attributable to shareholders of the Group</b>	<b>(15,429)</b>	<b>(92,670)</b>

The accompanying notes form part of these interim financial statements



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2019 \$000	31 March 2019 \$000
<b>Equity</b>			
<i>Capital and reserves attributable to shareholders of the Group</i>			
Share capital	3	261,017	259,933
Revaluation reserve		333,291	292,927
Foreign currency translation reserve		(16,118)	(5,861)
Retained earnings		139,676	127,821
Cash flow hedge reserve		(76,701)	(19,310)
Other reserves		988	466
<b>Total equity</b>		<b>642,153</b>	<b>655,976</b>
<i>Represented by:</i>			
<b>Current assets</b>			
Cash at bank	6	26,096	94,940
Financial assets	6	259,349	225,468
Receivable from related parties		3,675	4,121
Accounts receivable and prepayments		42,772	26,710
Financial instruments	10	893	289
Taxation receivable		512	653
		<b>333,297</b>	<b>352,181</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	1,195,639	1,066,727
Financial instruments	10	73,642	113,320
Intangible assets		546	546
		<b>1,269,827</b>	<b>1,180,593</b>
<b>Total assets</b>		<b>1,603,124</b>	<b>1,532,774</b>
<b>Current liabilities</b>			
Accounts payable and accruals		67,465	16,515
Borrowings	7	183,047	190,180
Lease liabilities	8	2,775	1,578
Financial instruments	10	18,575	19,794
		<b>271,861</b>	<b>228,067</b>
<b>Non-current liabilities</b>			
Borrowings	7	458,318	476,613
Lease liabilities	8	42,017	21,335
Financial instruments	10	91,517	42,810
Accounts payable and accruals		2,627	2,694
Deferred tax liability	9	94,630	105,279
		<b>689,109</b>	<b>648,731</b>
<b>Total liabilities</b>		<b>960,970</b>	<b>876,798</b>
<b>Net assets</b>		<b>642,153</b>	<b>655,976</b>

The accompanying notes form part of these interim financial statements

# CONSOLIDATED CASH FLOW STATEMENT

	Note	6 months ended 30 September 2019 \$000	6 months ended 30 September 2018 \$000
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>			
Receipts from customers (inclusive of GST)		93,604	110,786
		<b>93,604</b>	<b>110,786</b>
<i>Cash was disbursed to:</i>			
Payments to suppliers and employees (inclusive of GST)		34,549	39,164
Taxation paid		8,247	5,256
		<b>42,796</b>	<b>44,420</b>
<b>Net cash inflow from operating activities</b>		<b>50,808</b>	<b>66,365</b>
<b>Cash flows from investing activities</b>			
<i>Cash was provided from:</i>			
Interest received		1,782	418
		<b>1,782</b>	<b>418</b>
<i>Cash was disbursed to:</i>			
Purchase of property, plant and equipment		50,066	23,082
		<b>50,066</b>	<b>23,082</b>
<b>Net cash outflow from investing activities</b>		<b>(48,284)</b>	<b>(22,664)</b>
<b>Cash flows from financing activities</b>			
<i>Cash was disbursed to:</i>			
Equity raise costs		252	-
Repayment of bank debt and other financing		23,455	18,628
Term deposits and restricted cash		33,880	-
Interest paid		14,501	15,550
Dividends paid		-	5,633
		<b>72,088</b>	<b>39,812</b>
<b>Net cash outflow from financing activities</b>		<b>(72,088)</b>	<b>(39,812)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(69,564)</b>	<b>3,889</b>
Cash and cash equivalents at beginning of the period		94,940	45,913
Exchange (losses)/gains on cash and cash equivalents		720	(3)
<b>Cash and cash equivalents at end of the period</b>	<b>6</b>	<b>26,096</b>	<b>49,798</b>

The accompanying notes form part of these interim financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Capital \$000	Revaluation reserve \$000	Foreign currency translation reserve \$000	Cash flow hedge reserve \$000	Other reserves \$000	Retained earnings \$000	Total equity \$000
<b>Balance as at 1 April 2019</b>		<b>259,933</b>	<b>292,927</b>	<b>(5,861)</b>	<b>(19,310)</b>	<b>466</b>	<b>127,821</b>	<b>655,976</b>
<b>Total comprehensive income for the period</b>								
Net surplus for the period		-	-	-	-	-	11,855	11,855
<i>Other comprehensive income</i>								
Fair value change of property, plant and equipment recognised in equity		-	57,809	-	-	-	-	57,809
Differences arising on translation of foreign currency		-	-	(14,360)	-	-	-	(14,360)
Fair value changes in financial instruments		-	-	-	(79,891)	-	-	(79,891)
<i>Tax effect of the following:</i>								
Fair value change of property, plant and equipment recognised in equity		-	(17,445)	-	-	-	-	(17,445)
Differences arising on translation of foreign currency		-	-	4,103	-	-	-	4,103
Fair value changes in financial instruments		-	-	-	22,500	-	-	22,500
<b>Total other comprehensive income for the period</b>		<b>-</b>	<b>40,364</b>	<b>(10,257)</b>	<b>(57,391)</b>	<b>-</b>	<b>-</b>	<b>(27,284)</b>
<i>Transactions with owners recorded directly in equity</i>								
Equity raise costs		(253)	-	-	-	-	-	(253)
Dividends to equity holders		-	-	-	-	-	-	-
Fair value movements in relation to the employee share scheme		1,337	-	-	-	522	-	1,859
<b>Total transactions with owners recorded directly in equity</b>		<b>1,084</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>522</b>	<b>-</b>	<b>1,606</b>
<b>Balance as at 30 September 2019</b>		<b>261,017</b>	<b>333,291</b>	<b>(16,118)</b>	<b>(76,701)</b>	<b>988</b>	<b>139,676</b>	<b>642,153</b>
<b>Balance as at 1 April 2018</b>		<b>-</b>	<b>391,345</b>	<b>(7,551)</b>	<b>-</b>	<b>89</b>	<b>126,282</b>	<b>510,165</b>
<b>Total comprehensive income for the period</b>								
Net surplus for the period		-	-	-	-	-	8,495	8,495
<i>Other comprehensive income</i>								
Fair value change of property, plant and equipment recognised in equity		-	(140,153)	-	-	-	-	(140,153)
Differences arising on translation of foreign currency		-	-	(2,340)	-	-	-	(2,340)
Fair value changes in financial instruments		-	-	-	(1,516)	-	-	(1,516)
<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		-	-	655	-	-	-	655
Fair value changes in financial instruments		-	-	-	455	-	-	455
<b>Total other comprehensive income for the period</b>		<b>-</b>	<b>(98,419)</b>	<b>(1,685)</b>	<b>(1,061)</b>	<b>-</b>	<b>-</b>	<b>(101,165)</b>
<i>Transactions with owners recorded directly in equity</i>								
Dividends to equity holders	3	-	-	-	-	-	(5,633)	(5,633)
Fair value movements in relation to the employee share scheme		-	-	-	-	148	-	148
<b>Total transactions with owners recorded directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148</b>	<b>(5,633)</b>	<b>(5,485)</b>
<b>Balance as at 30 September 2018</b>		<b>-</b>	<b>292,926</b>	<b>(9,236)</b>	<b>(1,061)</b>	<b>237</b>	<b>129,144</b>	<b>412,010</b>

The accompanying notes form part of these interim financial statements

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## Note 1: Accounting policies

### Reporting entity

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

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

The interim financial statements are presented for the half year ended 30 September 2019.

### Basis of preparation

These unaudited condensed interim financial statements have been prepared for the six months ended 30 September 2019. These financial statements provide an update on the interim performance of Tilt Renewables and should be read in conjunction with the full year financial statements presented for the year ended 31 March 2019 from which the same accounting policies and methods of computation have been followed.

The interim financial statements are prepared in accordance with:

- NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting
- 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) and International Financial Reporting Standards (IFRS)
- Other applicable New Zealand Financial Reporting Standards, as appropriate for profit oriented entities.

The financial statements have been prepared as follows:

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

### 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 11, Adoption of NZ IFRS 16 Leases provides further information on the impact of the adoption of this standard.

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



**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.

**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 presentation currency.

## Note 2: Operating segments and profitability analysis

For internal reporting purposes, Tilt Renewables is organised into two segments. The main activities of each segment are:

Australian generation	New Zealand generation
The generation of electricity by wind generation assets across Australia.	The generation of electricity by wind generation assets across New Zealand.

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

### For the six month period ended 30 September 2019

	Generation New Zealand \$000	Generation Australia \$000
Operating revenue	21,574	81,510
Other revenue	142	175
<b>Total revenue</b>	<b>21,716</b>	<b>81,685</b>
Generation production costs	5,582	14,171
Employee benefits	727	4,282
Other operating expenses	1,301	5,949
<b>Total operating expenses</b>	<b>7,609</b>	<b>24,403</b>
<b>Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)</b>	<b>14,107</b>	<b>57,282</b>
Net fair value losses on financial instruments	702	9,259
Depreciation and amortisation	10,703	28,873
<b>Operating profit</b>	<b>2,702</b>	<b>19,149</b>
Interest paid	2,169	14,139
Interest received	(184)	(3,252)
Foreign exchange movements	(6,890)	5
<b>Net financing costs</b>	<b>(4,905)</b>	<b>10,892</b>
<b>Segment profit</b>	<b>7,607</b>	<b>8,258</b>
<b>Total assets</b>	<b>250,245</b>	<b>1,352,879</b>
<b>Total liabilities</b>	<b>(143,699)</b>	<b>(817,271)</b>
<b>Capital expenditure and investments</b>	<b>91,665</b>	<b>25,678</b>

**Note 2: Operating segments and profitability analysis (continued)****For the six month period ended 30 September 2018**

	<b>Generation New Zealand \$000</b>	<b>Generation Australia \$000</b>
Operating revenue	23,869	72,536
Other revenue	184	-
<b>Total revenue</b>	<b>24,052</b>	<b>72,536</b>
Generation production costs	6,114	13,437
Employee benefits	605	4,261
Other operating expenses	2,606	2,685
<b>Total operating expenses</b>	<b>9,325</b>	<b>20,383</b>
<b>Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition (EBITDAF)</b>	<b>14,727</b>	<b>52,153</b>
Net fair value (gains)/losses on financial instruments	760	(7,503)
Depreciation and amortisation	10,942	33,128
<b>Operating profit</b>	<b>3,026</b>	<b>26,527</b>
Interest paid	1,900	13,470
Interest received	(52)	(366)
Foreign exchange movements	1	1
<b>Net financing costs</b>	<b>1,848</b>	<b>13,106</b>
<b>Segment profit/(loss)</b>	<b>1,179</b>	<b>13,420</b>
<b>Total assets</b>	<b>234,581</b>	<b>1,298,193</b>
<b>Total liabilities</b>	<b>(148,617)</b>	<b>(728,181)</b>
<b>Capital expenditure and investments</b>	<b>1,148</b>	<b>45,565</b>

### Note 3: Shares and dividends

	6 months ended 30 September 2019 Cents per share	12 months ended 31 March 2019 Cents per share	6 months ended 30 September 2019 \$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
<b>Dividends paid on ordinary shares</b>	<b>-</b>	<b>3.40</b>	<b>-</b>	<b>10,642</b>

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.

	6 months ended 30 September 2019 '000	12 months ended 31 March 2019 '000	6 months ended 30 September 2019 \$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	-	-	(253)	-
Issued during the period	601	156,487	1,337	259,933
<b>Authorised and issued ordinary shares at the beginning of the period</b>	<b>470,061</b>	<b>469,460</b>	<b>261,017</b>	<b>259,933</b>

On 16 May 2019 a further 601,599 shares were issued in accordance with the Employee Share Plan and Development Business Incentive resulting in the total number of shares on issue from this date being 470,061,285. All fully paid ordinary shares have equal voting rights and share equally in dividends and equity.



#### Note 4: 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.

	6 months ended 30 September 2019 \$000	6 months ended 30 September 2018 \$000
Profit after tax attributable to the shareholders of the Group (\$000)	11,855	8,495
Weighted average number of ordinary shares on issue ('000s)	470,061	312,973
<b>Basic and diluted earnings per share (cents per share)</b>	<b>2.52</b>	<b>2.71</b>
Underlying earnings after tax (\$000)	18,828	3,775
Weighted average number of ordinary shares on issue ('000s)	470,061	312,973
<b>Underlying earnings per share (cents per share)</b>	<b>4.01</b>	<b>1.21</b>

#### Note 5: 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.

**Note 5: Property, plant and equipment (continued)**

	Generation assets \$000	Plant and equipment \$000	Right of use assets \$000	WIP \$000	Total \$000
<b>At 31 March 2019</b>					
Fair value	1,052,301	12,128	-	-	1,064,428
Cost	-	-	-	77,664	77,664
Accumulated depreciation	(72,414)	(2,951)	-	-	(75,364)
	<b>979,887</b>	<b>9,177</b>	<b>-</b>	<b>77,664</b>	<b>1,066,727</b>
<b>Cost or valuation</b>					
Balance at the beginning of the period	1,052,301	12,128	-	77,664	1,142,092
Additions	477	-	22,668	94,199	117,343
Disposals	(1,211)	-	-	-	(1,211)
Revaluation	58,264	-	-	-	58,264
Transfer between categories	2,205	831	-	(3,036)	-
Effect of movements in foreign exchange rates	(7,932)	(4)	-	(435)	(8,370)
	<b>1,104,104</b>	<b>12,956</b>	<b>22,668</b>	<b>168,391</b>	<b>1,308,119</b>
<b>Accumulated depreciation</b>					
Balance at the beginning of the period	(72,414)	(2,951)	-	-	(75,364)
Depreciation for the period	(37,512)	(494)	(806)	-	(38,812)
Disposals	110	-	-	-	110
Transfers between categories	(11)	11	-	-	-
Effect of movements in foreign exchange rates	1,588	1	-	-	1,589
	<b>(108,239)</b>	<b>(3,433)</b>	<b>(806)</b>	<b>-</b>	<b>(112,478)</b>
<b>At 30 September 2019</b>	<b>995,864</b>	<b>9,523</b>	<b>21,862</b>	<b>168,391</b>	<b>1,195,639</b>
<b>At 30 September 2019</b>					
Fair value	1,101,422	12,125	22,668	-	1,136,214
Cost	2,682	831	-	168,391	171,904
Accumulated depreciation	(108,239)	(3,433)	(806)	-	(112,478)
	<b>995,864</b>	<b>9,523</b>	<b>21,862</b>	<b>168,391</b>	<b>1,195,639</b>
<b>At 30 September 2019 by country</b>					
Australia	807,678	9,448	17,314	148,432	982,872
New Zealand	188,187	75	4,548	19,958	212,768
	<b>995,864</b>	<b>9,523</b>	<b>21,862</b>	<b>168,391</b>	<b>1,195,639</b>

## Note 5: Property, plant and equipment (continued)

Generation assets and property, plant and equipment are revalued every three years or more frequently if there is evidence of a significant change in value. No impairment indicators were identified as at 30 September 2019.

WIP additions in the period primarily relate to the construction costs associated with the Dundonnell and Waipipi project development costs.

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

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

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

	30 September 2019 \$000	31 March 2019 \$000
<b>Transmission line</b>		
Cost	22,655	22,655
Accumulated depreciation	(1,006)	(629)
<b>Net book amount</b>	<b>21,649</b>	<b>22,026</b>

### Fair value of generation property, plant and equipment

The valuation of Tilt Renewables generation assets is sensitive to the inputs used in the discounted cash flow valuation model.

A sensitivity analysis around some key inputs is given in the table below. The valuation is based on a combination of values that are generally at the midpoint of the range. The valuation impact is calculated as the movement in the fair value as a result of the change in the assumption and keeping all other valuation inputs constant.

Assumption	Low	High	Valuation impact AUD – 000's
<b>Australian assets</b>			
Forward electricity price path (including LGC's)	10% reduction in future electricity pricing	10% increase in future electricity pricing	-\$90,093 / +\$90,093
Generation volume	10% reduction in future production	10% increase in future production	-\$95,002 / +\$95,002
Operating costs	10% increase in future operating expenditure	10% decrease in future operating expenditure	-\$30,281 / +\$30,281
Discount rate – post tax	7.50%	6.50%	-\$29,900 / +\$31,953

Assumption	Low	High	Valuation impact NZD – 000's
<b>New Zealand assets</b>			
Generation volume	10% reduction in future production	10% increase in future production	-\$25,848 / +\$25,848
Operating costs	10% increase in future operating expenditure	10% decrease in future operating expenditure	-\$9,759 / +\$9,759
Discount rate – post tax	7.50%	6.50%	-\$6,789 / +\$7,126

**Note 6: Cash and cash equivalents**

	30 September 2019 \$000	31 March 2019 \$000
Cash at bank	26,096	94,940
Financial assets	259,349	225,468
	<b>285,445</b>	<b>320,408</b>

Financial assets disclosed in the balance sheet and in the statement of cash flows include term deposits and margin account restricted cash balances. These amounts are not repayable on demand or readily convertible into cash, however they will be recovered within the next twelve months. The margin account restricted cash balance of \$3.9M is held in an electricity trading margin call account, and is not available for general use by the other entities within the Group.

**Note 7: Loans and borrowings****Debt**

Tilt Renewables borrows under a syndicated bank debt facility, with the exception of Waipipi which utilises a standalone project finance facility. These facility require 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 the bank loans are repaid or renegotiated. Throughout the period Tilt Renewables has complied with all debt covenant requirements in these agreements.

Interest rates are determined by reference to prevailing money market rates at the time of draw-down plus a margin. Interest rates paid during the period ranged from 2.2% to 3.7% (31 March 2019: 2.2% to 4.5%).



**Note 7: Loans and borrowings (continued)**

	30 September 2019		
	New Zealand dollar facilities \$000	Australian dollar facilities \$000	Total borrowings \$000
<i>Repayment terms:</i>			
Less than one year	14,580	171,434	186,014
One to two years	69,323	98,494	167,818
Two to five years	9,276	192,010	201,286
Over five years	6,184	93,041	99,225
<i>less: Facility establishment costs</i>	(4,434)	(8,545)	(12,978)
	<b>94,930</b>	<b>546,434</b>	<b>641,364</b>
Current portion	13,601	169,446	183,047
Non-current portion	81,329	376,988	458,318
	<b>94,930</b>	<b>546,434</b>	<b>641,364</b>

	31 March 2019		
	New Zealand dollar facilities \$000	Australian dollar facilities \$000	Total borrowings \$000
<i>Repayment terms:</i>			
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
<i>less: Facility establishment costs</i>	(361)	(9,790)	(10,151)
	<b>109,988</b>	<b>556,805</b>	<b>666,793</b>
Current portion	15,211	174,969	190,180
Non-current portion	94,777	381,836	476,613
	<b>109,988</b>	<b>556,805</b>	<b>666,793</b>

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

## Note 8: Lease liabilities

	30 September 2019		
	Right of use lease liabilities \$000	Finance lease liabilities \$000	Total lease liabilities \$000
<i>Repayment terms:</i>			
Less than one year	1,177	1,598	2,775
One to two years	1,249	1,509	2,757
Two to five years	3,098	4,037	7,135
Over five years	16,257	15,868	32,125
	<b>21,780</b>	<b>23,012</b>	<b>44,792</b>
Current portion	1,177	1,598	2,775
Non-current portion	20,603	21,413	42,017
	<b>21,780</b>	<b>23,012</b>	<b>44,792</b>

	31 March 2019		
	Right of use lease liabilities \$000	Finance lease liabilities \$000	Total lease liabilities \$000
<i>Repayment terms:</i>			
Less than one year	-	1,578	1,578
One to two years	-	1,489	1,489
Two to five years	-	4,189	4,189
Over five years	-	15,657	15,657
	-	<b>22,913</b>	<b>22,913</b>
Current portion	-	1,578	1,578
Non-current portion	-	21,335	21,335
	-	<b>22,913</b>	<b>22,913</b>

## Note 9: Taxation

### 9.1 Tax reconciliation

	6 months ended 30 September 2019 \$000	6 months ended 30 September 2018 \$000
<b>Profit before income tax</b>	<b>15,865</b>	<b>14,599</b>
Tax on profit (30%)	4,759	4,380
Tax effect of non-assessable revenue	(798)	(1)
Reconciliation difference between tax jurisdictions	(13)	(23)
Income tax (over)/under provided in prior year	61	1,748
	<b>4,010</b>	<b>6,104</b>
<i>Represented by:</i>		
Current tax	8,708	5,537
Deferred tax	(4,698)	567
	<b>4,010</b>	<b>6,104</b>

### 9.2 Deferred tax

	6 months ended 30 September 2019 \$000	12 months ended 31 March 2019 \$000
Balance at beginning of period	105,279	161,668
Current year changes in temporary differences recognised in profit or loss	(4,698)	(5,754)
Current year changes in temporary differences recognised in other comprehensive income	(5,055)	(51,012)
Reclassification of prior year temporary differences	(44)	(237)
Exchange rate movements on foreign denominated deferred tax	(852)	614
<b>Total deferred tax liabilities</b>	<b>94,630</b>	<b>105,279</b>

## Note 9: Taxation (continued)

### 9.3 Underlying earnings after tax

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 Group tax rate or gain/impairment of generation assets.

	6 months ended 30 September 2019 \$000	6 months ended 30 September 2018 \$000
<b>Profit after tax attributable to the shareholders of the Group</b>	<b>11,855</b>	<b>8,495</b>
Fair value losses/(gains) on derivative financial instruments	9,961	(6,743)
<b>Adjustments before income tax</b>	<b>9,961</b>	<b>(6,743)</b>
After tax adjustment	(2,988)	2,023
	<b>(2,988)</b>	<b>2,023</b>
<b>Underlying earnings after tax</b>	<b>18,828</b>	<b>3,775</b>

## Note 10: (a) Fair value gains/losses on financial instruments

The changes in the fair value of financial instruments recognised in the income statement for the six months to 30 September 2019 are summarised below:

### Recognised in the income statement

	30 September 2019 \$000	30 September 2018 \$000
Derivative financial instruments – interest rate	10,712	1,695
Derivative financial instruments – foreign exchange	-	-
Derivative financial instruments – energy derivatives	(751)	-
Derivative financial instruments – power purchase agreements	-	(8,438)
	<b>9,961</b>	<b>(6,743)</b>

### Derivative financial instruments

	30 September 2019 \$000	31 March 2019 \$000
<b>Current assets</b>		
Derivative financial instruments – interest rate	-	3
Derivative financial instruments – foreign exchange	-	-
Derivative financial instruments – energy derivatives	893	286
Derivative financial instruments – power purchase agreements	-	-
	<b>893</b>	<b>289</b>

**Note 10: (a) Fair value gains/losses on financial instruments (continued)**

	30 September 2019 \$000	31 March 2019 \$000
<b>Current liabilities</b>		
Derivative financial instruments – interest rate	215	5,672
Derivative financial instruments – foreign exchange	-	-
Derivative financial instruments – energy derivatives	3,124	6,445
Derivative financial instruments – power purchase agreements	15,235	7,677
	<b>18,575</b>	<b>19,794</b>
<b>Non-current assets</b>		
Derivative financial instruments – interest rate	-	-
Derivative financial instruments – foreign exchange	901	-
Derivative financial instruments – energy derivatives	-	13
Derivative financial instruments – power purchase agreements	72,741	113,307
	<b>73,642</b>	<b>113,320</b>
<b>Non-current liabilities</b>		
Derivative financial instruments – interest rate	77,983	38,523
Derivative financial instruments – foreign exchange	-	-
Derivative financial instruments – energy derivatives	462	1,265
Derivative financial instruments – power purchase agreements	13,072	3,022
	<b>91,517</b>	<b>42,810</b>

**Note 10: (b) Fair value measurement of financial instruments****(i) Liquidity risk**

Liquidity risk is the risk that assets held by the Group cannot readily be converted to cash to meet the Group's contracted cash flow obligations. Liquidity risk is monitored by continuously forecasting cash flows and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due and make value investments, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, the spreading of debt maturities, and its credit standing in capital markets. The tables below analyse the Group's financial liabilities, excluding gross settled derivative financial liabilities, into relevant maturity groupings based on the earliest possible contractual maturity date at year end. The amounts in the tables below are contractual undiscounted cash flows, which include interest through to maturity.



**Note 10: (b) Fair value measurement of financial instruments (continued)**

	6 months or less \$000	6-12 months \$000	1-2 years \$000	2-5 years \$000	5 years+ \$000	Contractual cash flows total \$000	Balance sheet total \$000
<b>As at 30 September 2019</b>							
Derivative financial Instruments – interest rate	5,184	7,559	14,264	31,371	20,885	79,263	78,198
Derivative financial Instruments – energy derivatives	953	565	32	-	-	1,550	3,587
Derivative financial Instruments – power purchase agreements	3,233	7,955	3,776	1,340	25,676	41,980	28,307
Accounts payable and accruals	67,464	97	194	776	1,560	70,091	70,091
Finance leases	825	847	1,717	5,429	61,685	70,504	44,792
Secured loans	181,806	26,177	131,324	244,113	282,055	865,475	654,343
<b>Total</b>	<b>259,465</b>	<b>43,202</b>	<b>151,306</b>	<b>283,028</b>	<b>391,861</b>	<b>1,128,863</b>	<b>879,319</b>
	6 months or less \$000	6-12 months \$000	1-2 years \$000	2-5 years \$000	5 years+ \$000	Contractual cash flows total \$000	Balance sheet total \$000
<b>As at 31 March 2019</b>							
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
Finance leases	825	825	1,694	5,358	62,626	71,328	22,913
Secured loans	32,814	181,806	134,903	248,052	300,714	898,289	676,944
<b>Total</b>	<b>61,059</b>	<b>191,822</b>	<b>148,782</b>	<b>274,677</b>	<b>379,406</b>	<b>1,055,746</b>	<b>781,670</b>

## Note 10: (b) Fair value measurement of financial instruments (continued)

### (ii) Interest rate risk

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 30 September 2019 was \$1,083.4m of Australian and \$258.8m of New Zealand principal amounts.

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 30 September 2019, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year and other components of equity would have been adjusted by the amounts in the table below, as a result of the fair value change in interest rate derivative instruments.

	30 September 2019 \$000	30 September 2018 \$000
Increase/(decrease) to profit of a 100 basis point decrease in interest rates	11,192	8,439
Increase to profit of a 100 basis point increase in interest rates	(10,661)	(8,815)
Increase/(decrease) to equity of a 100 basis point decrease in interest rates	11,192	8,439
Increase to equity of a 100 basis point increase in interest rates	(10,661)	(8,815)

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

## Note 10: (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); and
  - discount rates.

**Note 10: (c) Fair value measurements (continued)**

Valuation input	Source
<ul style="list-style-type: none"> <li>Interest rate forward price curve to value interest rate swaps</li> <li>Discount rate for valuing interest rate derivatives</li> </ul>	<ul style="list-style-type: none"> <li>Published market swap rates</li> <li>Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Tilt Renewables for liabilities.</li> </ul>

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

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

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

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

There were no transfers between Level 1, 2 and 3 assets or liabilities within the fair value hierarchy (March 2019: Nil).

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

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

**Note 10: (c) Fair value measurements (continued)**

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>30 September 2019</b>				
<b>Assets per the statement of financial position</b>				
Derivative financial instruments – interest rate	-	-	-	-
Derivative financial instruments – foreign exchange	-	901	-	901
Derivative financial instruments – energy derivatives	-	893	-	893
Derivative financial instruments – power purchase agreements	-	-	72,741	72,741
	-	<b>1,794</b>	<b>72,741</b>	<b>74,535</b>
<b>Liabilities per the statement of financial position</b>				
Derivative financial instruments – interest rate	-	78,198	-	78,198
Derivative financial instruments – foreign exchange	-	-	-	-
Derivative financial instruments – energy derivatives	-	3,587	-	3,587
Derivative financial instruments – power purchase agreements	-	-	28,307	28,307
	-	<b>81,785</b>	<b>28,307</b>	<b>110,092</b>
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>31 March 2019</b>				
<b>Assets per the statement of financial position</b>				
Derivative financial instruments – interest rate	-	3	-	3
Derivative financial instruments – foreign exchange	-	-	-	-
Derivative financial instruments – energy derivatives	-	299	-	299
Derivative financial instruments – power purchase agreements	-	-	113,307	113,307
	-	<b>302</b>	<b>113,307</b>	<b>113,609</b>
<b>Liabilities per the statement of financial position</b>				
Derivative financial instruments – interest rate	-	44,195	-	44,195
Derivative financial instruments – foreign exchange	-	-	-	-
Derivative financial instruments – energy derivatives	-	7,710	-	7,710
Derivative financial instruments – power purchase agreements	-	-	10,699	10,699
	-	<b>51,905</b>	<b>10,699</b>	<b>62,604</b>

## Note 10: (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, foreign exchange 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 30 September 2019.

**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.
Foreign exchange forward prices	Published spot foreign exchange rates.
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 10: (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 AUD – 000's
<b>Impact on the statement of financial position 30 September 2019</b>			
Forward electricity price path	10% increase in future electricity pricing	10% reduction in future electricity pricing	-\$50,363 / +\$50,363
Generation volume	10% reduction in future production	10% increase in future production	-\$4,432 / +\$4,432
Discount rate – post tax	7.75%	6.75%	-\$3,037 / +\$3,240

## Note 11: 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 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.



### Note 11: Adoption of NZ IFRS 16 Leases (continued)

The lease liability was measured at the present value of the minimum 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 an immaterial change in net assets.

#### Adjustments to right of use assets recognised on adoption of NZ IFRS 16

	1 April 2019 \$000
<b>Operating lease commitments disclosed as at 31 March 2019</b>	<b>61,595</b>
(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: adjustments to lease terms and durations	2,766
Affect of using incremental borrowing rate at the date of initial application	(11,049)
<b>Lease liability recognised as at 1 April 2019</b>	<b>22,668</b>
Current lease liabilities	1,191
Non current lease liabilities	21,477
	<b>22,668</b>

The impact of adoption of NZ IFRS 16 on the Group's Consolidated Statement of Financial Position is summarised in the table below:

	30 September 2019 \$000	1 April 2019 \$000
Generation assets	21,649	22,026
Right-of-use-assets	21,862	22,668
Lease liabilities	(44,792)	(45,581)
<b>Change in Net Assets</b>	<b>(1,281)</b>	<b>(887)</b>

### Note 11: Adoption of NZ IFRS 16 Leases (continued)

When compared to the accounting policies applied in the prior comparative period, the adoption of NZ IFRS 16 on the Group's Consolidated Statement of Comprehensive Income for the six months ended 30 September 2019 is summarised in the table below:

	30 September 2019 \$000	1 April 2019 \$000
Operating expenses	(1,315)	32
Depreciation	1,189	650
Interest expense	1,472	637

The weighted average incremental borrowing cost applied at 1 April 2019 was 4.54% in Australia and 4.68% in New Zealand for the right of use liabilities. The terms of the existing Salt Creek transmission lease 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 total 27.1M for the Dundonnell project and 15.5M for the Waipipi project. These costs will be reflected in the NZ IFRS 16 disclosure note when these projects become operational in FY21.

### Note 12: Capital and other commitments

	30 September 2019 \$Millions	31 March 2019 \$Millions
Committed but not contracted for	-	-
Committed but not provided for	630.8	470.1
<b>Capital commitments</b>	<b>630.8</b>	<b>470.1</b>

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

### Note 13: Contingent liabilities and legal matters

Snowtown Wind Farm Stage 2 Pty Ltd, a wholly-owned subsidiary of Tilt Renewables Limited, has been served with court proceedings on behalf of the Australian Energy Regulator (AER) in relation to their investigations into the system black 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.

There were no other contingent assets or liabilities as at 30 September 2019 (31 March 2019: nil).

### Note 14: Events after balance date

On 24 October 2019 the Tilt Renewables Group reached financial close on a standalone \$616 million Project Financing Facility for the Snowtown 2 Wind Farm. The proceeds of these funds were used to repay Facility A which was due to expire at the end of October 2019 along with other Tilt Renewables Facilities. Proceeds of the refinancing has been retained by the business and will be used as is intended to be used as the equity contribution for other near term development opportunities.

Other than those disclosed above and elsewhere in the financial statements there have been no material events subsequent to 30 September 2019 (31 March 2019: The ownership of Western Downs Solar Project Pty Ltd was transferred to Tilt Renewables in May 2019).

# DIRECTORY

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Anne Urlwin  
Vimal Vallabh  
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