windlab
LIMITED
ABN 26 104 461 958

ASX RELEASE

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28 February 2020

Appendix 4E Preliminary Report
Year Ended 31 December 2019

Windlab Limited (ASX:WND) ('Windlab' or the 'Company') provides its Appendix 4E Preliminary Report for the Year Ended 31 December 2019.

About Windlab Limited:

Windlab Limited (ASX:WND) is a publicly listed international wind energy development company initially established to commercialise world-leading atmospheric modelling and wind mapping technology (WindScape™) developed at Australia's CSIRO. Windlab uses this proprietary technology to identify and develop high quality wind farm sites reducing the risk and uncertainty associated with wind development. Windlab is headquartered in Canberra, Australia and has offices across Australia, Southern Africa and North America. More than 1,000MW of wind farm capacity, on three continents, developed by Windlab has reached financial close and is today either operating or under construction. It is developing more than 50 renewable energy projects, totalling over 7,500MW of potential capacity around the world.

Authorised by the Board.

For further information please contact:

Roger Price
Executive Chairman
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Rob Fisher
Chief Financial and Operating Officer
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Appendix 4E

Preliminary Report

1. COMPANY DETAILS

Name of Entity	Windlab Limited

ABN or equivalent company reference	**Financial year ended ('current period')**	**Financial year ended ('previous period')**
26 104 461 958	31 December 2019	31 December 2018

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

		Percentage chai			**$**
2.1	Total revenue from ordinary activities	Up	16%	To	$4,043,669
2.2	Profit for the period after tax	Down	(196%)	To	($11,696,865)
2.3	Net profit for the period attributable to the owners of Windlab Limited	Down	(177%)	To	($12,218,155)
2.4	Dividends	No dividends			

2.5 **Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood:**

In addition to the revenue from ordinary activities show above, the company recorded a share of losses from associate and joint venture of $11,233,246. This share of losses included Windlab's 50% share of an impairment loss of $29,395,114 recorded in the financial statements of Kennedy Energy Park Holdings Pty Ltd("Kennedy"). This amount is $14,697,557 and reflects the write down of a cash-generating unit (CGU) owned by Kennedy to its estimated recoverable amount, calculated as its value-in-use.

The Kennedy CGU consisted of the wind turbine generators, solar PV generators and battery energy storage system. The write down is a result of movements in electricity price forecasts, discount rates, as well as uncertainty around the timing of reaching commercial operations and the outcome of the dispute with the EPC contractor. This was recognised in Kennedy's statement of profit or loss as impairment expense, and hence in Windlab's share of profit or loss of joint venture. The impairment loss is partially offset by a decrease in the carrying value of Kennedy's PPA liability of $12.43m after tax (WND's share: $6.21m after tax), in response to the same movements in forecast electricity price forecasts and discount rates.

Management has identified significant uncertainty around the valuation of Windlab's investment in Kennedy, resulting from uncertainty over the project's completion date and ongoing dispute with the contractor. The current carrying value is considered to be a conservative estimate, with potential for the impairments to be written back in the future if further delays are minimised and the dispute settled favourably. Refer to Note 8 (d) in the preliminary financial statements.

Windlab's share of Kennedy's profit was also reduced by the reversal of $13.60m in delay liquidated damages that were previously recognised as revenue but adjusted following a post-balance date adjudication of the contractor's claim for payment in February 2020, which required that these invoices be reversed. Windlab's share of the reversal was $6.80m. Despite the reversal Windlab believes that it has a contractual right to these amounts. Kennedy has disclosed a contingent asset for the full amount at balance date.

3. STATEMENT OF COMPREHENSIVE INCOME

Please refer to the attached preliminary financial statements for the year ended 31 December 2019.

4. STATEMENT OF FINANCIAL POSITION

Please refer to the attached preliminary financial statements for the year ended 31 December 2019.

5. STATEMENT OF CASH FLOW

Please refer to the attached preliminary financial statements for the year ended 31 December 2019.

6. STATEMENT OF CHANGES IN EQUITY

Please refer to the attached preliminary financial statements for the year ended 31 December 2019.

7. DIVIDENDS

No dividends were paid or payable in the current or the previous corresponding period.

8. DIVIDEND REINVESTMENT PLANS

The company does not operate a dividend reinvestment plan.

9. NTA BACKING

	31 DECEMBER 2019	31 DECEMBER 2018
	CENTS	CENTS
Net tangible backing per ordinary share	58.8	64.6

10. CONTROL GAINED OVER ENTITIES/LOSS OF CONTROL OVER ENTITIES

The group did not gain or lose control of any entities during the reporting period.

11. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

	GROUP'S SHARE OF ASSOCIATE AND JOINT VENTURE ENTITIES	CURRENT PERIOD $	PREVIOUS CORRESPONDING PERIOD $
NAME OF ASSOCIATE/JOINT VENTURE ENTITY	OWNERSHIP INTEREST	ENTITY NET (LOSS)/PROFIT AFTER TAX	ENTITY NET PROFIT/(LOSS) AFTER TAX
Kennedy Energy Park Pty Ltd	Current period: 50% Previous corresponding period: 50%	(23,395,390)	1,859,497
Kiata Wind Farm Holdings Pty Ltd	Current period: 25% Previous corresponding period: 25%	1,857,998	4,570,592

12. OTHER SIGNIFICANT INFORMATION

Please refer to the attached preliminary financial statements for the year ended 31 December 2019.

13. FOREIGN ENTITIES

Not applicable.

14. COMMENTARY

The increased loss in 2019 principally reflects Windlab share of the impact of impairment of Kennedy Energy Park($14.70m), its share of upward movements in the valuation of the Kennedy PPA($6.21m), and its share of the reversal of revenues relating to delay liquidated damages in the project following a post-balance date adjudication decision.

Excluding the impact of these items, the company recorded a loss of $6.61, a 13% improvement on the prior year.

Revenue from contracts with customers increased 16%, driven principally by a 26% increase in asset management revenue. The asset management business reported a profit of $1.02m (2018:$0.61m) with the increase driven by tight control of costs.

Project expenses and employment expenses increased relative to the prior year. This reflected increased spending in the East African business, funded from the US$10m investment received from Eurus Energy in early 2019, most of which relates to early stage projects and hence is expensed rather than capitalised. Capitalisation rates of both employee time and project costs were lower in 2019 than the prior year in the Australian business as well, as the business pursued new early stage opportunities alongside existing projects.

Net cash used in operating activities increased from $9.24m to $10.26m, reflecting increased receipts from customers offset by additional project spending (up $1.45m), particularly in East Africa, and interest on the refinanced and fully drawn $10m senior debt facility (increase of $0.43m) and payment of income tax relating to the 30 June 2018 tax year of $0.50m.

Distributions from associate fell $1.03m due to the first full year of operation under Kiata Wind Farm's PPA reducing revenues in that project. Kiata's performance was also negatively affected by one-off curtailments due to network maintenance and upgrades in Western Victoria, and reductions in the project's marginal loss factor. It should also be noted that 2018 included larger than normal distributions from Kiata due to unused contingency allowances paid out on commercial operation.

During the year the company raised $14.01m (US$10m) from the issue of new equity in Windlab East Africa Pty Ltd to Eurus Energy Holdings. Eurus now holds 25% of the issued capital of that entity. The cash raised is restricted for use by Windlab East Africa, although Windlab Limited provides services to that entity in return for cash service fees.

The company also refinanced its senior debt facility with the Clean Energy Finance Corporation, drawing an additional $7m in June 2019.

Cash at the end of 2019 was $15.54m, up from $4.68m in the prior period. Of this, $12.04m is restricted for use in East Africa.

For further explanation please refer to the attached preliminary financial statements for the year ended 31 December 2019.

15. COMPLIANCE STATEMENT

This Appendix 4E and the attached Consolidated Statements are based on accounts which are in the process of being audited.

Windlab expects that the audit report will include a qualification relating to the carrying value of Kennedy Energy Park, drawing attention to the uncertainties disclosed in Note 8(d) of the preliminary financial statements. It is also likely that the audit report will include a paragraph drawing attention to uncertainties relating to the going concern basis of accounting, disclosed in Note 2.2 of the preliminary financial statements.

Andrew Cooke
Company Secretary

28 February 2020

Windlab Limited

ABN 26 104 461 958

Preliminary Financial Statements
For the year ended 31 December 2019

Level 4
60 Marcus Clarke Street
Canberra ACT 2601
AUSTRALIA

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	Notes	2019	2018 (Restated)
		$	$
Revenue from contracts with customers	5(a)	4,043,669	3,488,576
Other income	5(b)	1,378,072	513,785
Share of (loss)/ profit from associate and joint venture	8	(11,233,246)	2,072,397
Project expenses	6(a)	(1,566,719)	(784,254)
Loss on loss of control of subsidiary		-	(3,837,533)
Employee expenses	6(b)	(7,562,234)	(5,465,906)
Administration expenses	6(c)	(2,819,055)	(2,505,421)
EBITDA		**(17,759,513)**	**(6,518,356)**
Depreciation and amortisation expenses		(351,376)	(136,445)
Finance costs	6(c)	(200,634)	(55,013)
(Loss) before tax		**(18,311,523)**	**(6,709,814)**
Tax benefit		6,614,658	2,760,095
(Loss) for the period		**(11,696,865)**	**(3,949,719)**
Other comprehensive income			
Items that may be reclassified subsequently to the profit or loss			
Exchange differences on translating foreign operations		153,981	(206,954)
Share of other comprehensive income of equity accounted investments	8	(1,260,462)	(145,857)
Other comprehensive (loss) for the period, net of tax		**(1,103,481)**	**(352,811)**
Total comprehensive (loss) for the period, net of tax		**(12,800,346)**	**(4,302,530)**
Total comprehensive (loss)/income for the period attributable to			
Owners of the parent		(12,218,155)	(4,406,848)
Non-controlling interest	10	(582,191)	104,318
		(12,800,346)	**(4,302,530)**

		2019	2018
EARNINGS PER SHARE		$	$
Basic earnings per share	11	(0.17)	(0.06)
Diluted earnings per share	11	(0.17)	(0.06)

These financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	2019	2018 (Restated)	2017 (Restated)
CURRENT ASSETS		$	$	$
Cash and cash equivalents	7	15,539,823	4,682,414	14,230,978
Trade and other receivables		2,574,701	1,475,307	1,559,562
Inventory		5,638,511	5,022,779	6,987,513
Prepayments		804,255	736,251	506,948
TOTAL CURRENT ASSETS		**24,557,290**	**11,916,751**	**23,285,001**
NON-CURRENT ASSETS				
Property, plant and equipment		960,557	592,192	339,491
Investments accounted for using the equity method – Kennedy Energy Park	8(a)	11,870,621	23,568,367	22,638,618
Investments accounted for using the equity method – Kiata Wind Farm	8(b)	8,874,575	10,474,632	11,588,617
Investments at fair value	8(c)	522,372	522,372	522,372
Inventory		6,802,898	4,665,931	5,161,273
Deferred tax asset		5,079,911	-	-
Prepayments		132,288	143,049	174,310
TOTAL NON-CURRENT ASSETS		**34,243,222**	**39,966,543**	**40,424,681**
TOTAL ASSETS		**58,800,512**	**51,883,294**	**63,709,682**
CURRENT LIABILITIES				
Trade and other payables		1,911,974	2,415,632	1,799,531
Interest bearing liabilities	9	3,195,569	607	2,785,729
Contract liability		5,287	-	603,166
Income tax payable		-	577,349	3,727,765
Employee benefit liabilities		1,355,831	822,794	1,083,839
Lease liabilities		189,500	-	-
TOTAL CURRENT LIABILITIES		**6,658,161**	**3,816,382**	**10,000,030**
NON-CURRENT LIABILITIES				
Interest bearing liabilities	9	6,645,301	3,030,689	2,000,000
Deferred tax liability		-	1,190,542	1,139,863
Employee benefit liabilities		109,971	172,618	210,785
Lease liabilities		24,981	-	-
TOTAL NON-CURRENT LIABILITIES		**6,780,253**	**4,393,849**	**3,350,648**
TOTAL LIABILITIES		**13,438,414**	**8,210,231**	**13,350,678**
NET ASSETS		**45,362,098**	**43,673,063**	**50,359,004**
EQUITY				
Issued capital		53,930,617	53,703,322	53,493,393
Additional paid-in capital		9,700,977	-	-
Accumulated (loss)		(20,589,079)	(9,730,946)	(4,556,722)
Hedge reserves	3.1	(1,403,319)	(145,857)	-
Other reserves		529,411	(208,177)	354,963
Capital and reserves attributable to owners of Windlab		42,168,607	43,618,342	49,291,634
Non-controlling interests		3,193,491	54,721	1,067,370
TOTAL EQUITY		**45,362,098**	**43,673,063**	**50,359,004**

These financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

ATTRIBUTED TO THE EQUITY HOLDERS OF THE PARENT

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Hedge Reserves	Additional Paid in Capital	Total Attributable to Owners of Parent	Non-Controlling Interests	Total Equity
	$	$	$	$	$	$	$	$	$
As at 31 December 2018 (Reported)	**53,703,322**	**(3,021,667)**	**716,422**	**(924,599)**	**(145,857)**	**-**	**50,327,621**	**54,721**	**50,382,342**
Change in accounting policy - PPA derivatives (Note 3.1)	-	(6,709,279)	-	-	-	-	**(6,709,279)**	-	(6,709,279)
As at 1 January 2019 (restated for change in accounting policy)	**53,703,322**	**(9,730,946)**	**716,422**	**(924,599)**	**(145,857)**	**-**	**43,618,342**	**54,721**	**43,673,063**
Initial adoption of AASB 16 Leases (Note 4.1)	-	(57,309)	-	-	-	-	**(57,309)**	-	(57,309)
As at 1 January 2019	**53,703,322**	**(9,788,255)**	**716,422**	**(924,599)**	**(145,857)**	**-**	**43,561,033**	**54,721**	**43,615,754**
(Loss) for the period	-	(11,186,802)	-	-	-	-	(11,186,802)	(510,063)	(11,696,865)
Exchange differences on translation of foreign operations	-	-	-	226,109	-	-	226,109	(72,128)	153,981
Other comprehensive income - PPA's	-	-	-	-	(745,227)	-	(745,227)	-	(745,227)
Other comprehensive income - interest rate swap	-	-	-	-	(512,235)	-	(512,235)	-	(512,235)
Total Comprehensive income	**-**	**(11,186,802)**	**-**	**226,109**	**(1,257,462)**	**-**	**(12,218,155)**	**(582,191)**	**(12,800,346)**
Issue of share capital on exercise of options	182,000	-	-	-	-	-	**182,000**	-	182,000
Issue of additional paid up share capital	-	-	-	-	-	9,879,265	**9,879,265**	4,134,136	14,013,401
Transactions costs on issue of additional paid up share capital	-	-	-	-	-	(178,288)	**(178,288)**	(59,429)	(237,717)
Non-controlling interest on acquisition of subsidiary	-	353,746	-	-	-	-	**353,746**	(353,746)	-
Transfer of exercised options to Share capital	45,295	-	(45,295)	-	-	-	**-**	-	-
Transfer of expired options to retained earnings	-	32,232	(32,232)	-	-	-	**-**	-	-
Share based payment charge	-	-	589,006	-	-	-	**589,006**	-	589,006
Balance at 31 December 2019	**53,930,617**	**(20,589,079)**	**1,227,901**	**(698,490)**	**(1,403,319)**	**9,700,977**	**42,168,607**	**3,193,491**	**45,362,098**

These financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018 (restated)

ATTRIBUTED TO THE EQUITY HOLDERS OF THE PARENT

	Issued Capital	Accumulated Profits/(losses)	Share Based Payment Reserve	Foreign Currency Translation Reserve	Hedge Reserves	Total Attributable to Owners of Parent	Non-Controlling Interests	Total Equity
	$	$	$	$	$	$	$	$
As at 31 December 2017 (reported)	**53,493,393**	**2,030,816**	**655,387**	**(300,424)**	**-**	**55,879,172**	**1,067,370**	**56,946,542**
Change in accounting policy - PPA derivatives (Note 3.1)	-	(6,587,538)	-	-	-	(6,587,538)	-	(6,587,538)
As at 1 January 2018 (restated for change in accounting policy)	**53,493,393**	**(4,556,722)**	**655,387**	**(300,424)**	**-**	**49,291,634**	**1,067,370**	**50,359,004**
Initial adoption of AASB 15	-	(1,522,979)	-	(301,361)	-	(1,824,340)	(1,116,967)	(2,941,307)
As at 1 January (restated)	**53,493,393**	**(6,079,701)**	**655,387**	**(601,785)**	**-**	**47,467,294**	**(49,597)**	**47,417,697**
(Loss) for the period	-	(3,938,177)	-	-	-	(3,938,177)	(11,542)	(3,949,719)
Exchange differences on translation of foreign operations	-	-	-	(322,814)	-	(322,814)	115,860	(206,954)
Other comprehensive income - interest rate swap	-	-	-	-	(145,857)	(145,857)	-	(145,857)
Total Comprehensive income	**-**	**(3,938,177)**	**-**	**(322,814)**	**(145,857)**	**(4,406,848)**	**104,318**	**(4,302,530)**
Issue of share capital on exercise of options	42,580	-	-	-	-	42,580	-	**42,580**
Transfer of exercised options to share capital	167,349	-	(167,349)	-	-	-	-	-
Transfer of expired options to retained earnings	-	286,932	(286,932)	-	-	-	-	-
Share based payment charge	-	-	515,316	-	-	515,316	-	**515,316**
Balance at 31 December 2018	**53,703,322**	**(9,730,946)**	**716,422**	**(924,599)**	**(145,857)**	**43,618,342**	**54,721**	**43,673,063**

These financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Notes	2019	2018
		$	$
OPERATING ACTIVITIES			
Receipts from customers		5,122,679	3,943,506
Payments to suppliers and employees		(9,432,767)	(9,586,738)
Payments for inventory and projects		(4,841,408)	(3,390,278)
Interest received		90,347	63,639
Tax paid		(497,189)	-
Finance costs		(704,040)	(273,911)
Net cash (used in) operating activities	7	**(10,262,378)**	**(9,243,782)**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(713,765)	(375,188)
Proceeds from sale of property, plant and equipment		-	1,063
Proceeds / (payments) from security deposits		1,449	(110,673)
Dividends from investment		37,564	63,021
Distributions from associate		1,078,310	2,047,755
Net cash from investing activities		**403,558**	**1,625,978**
FINANCING ACTIVITIES			
Proceeds from issue of share capital		14,195,401	42,580
Payment of principal portion of lease liabilities		(190,987)	-
Transaction costs on issue of shares		(237,717)	-
Proceeds from borrowings		9,779,683	-
Repayments of borrowings		(3,000,000)	(1,945,203)
Net cash from/ (used in) financing activities		**20,546,380**	**(1,902,623)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**10,687,560**	**(9,520,427)**
Cash and cash equivalents, beginning of period		4,682,414	14,230,978
Effects of foreign exchange differences on cash and cash equivalents		169,849	(28,137)
CASH AND CASH EQUIVALENTS, END OF PERIOD	7	**15,539,823**	**4,682,414**

These financial statements should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 Corporate Information

Windlab (the Company or the parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

Windlab is an international renewable wind energy development company. The company participates in wind generation projects from inception through development, financing, construction and the asset management of operating wind farms.

Windlab currently has a geographically diverse development portfolio of 45 projects. These projects are at various stages of development and represent an estimated total potential capacity of more than 7,700 MW. Nine of the projects, accounting for approximately 1,200 MW of potential capacity hold development approvals, the majority of which are expected to commence construction over the next three to four years. In addition to its development pipeline, Windlab has equity interests in three projects in Australia from which it will derive equity distributions (Coonooer Bridge and Kiata Wind Farm, commenced commercial operations in April 2016 and March 2018 respectively and Kennedy Energy Park which is expected to commence commercial operations in 2020). It also has a commercial interest in a project in South Africa (West Coast One) from which it receives ongoing royalty payments. Windlab also currently performs asset management services for five projects in Australia.

2 Summary of Significant Accounting Policies

2.1 Basis of Preparation

This Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Windlab is a for profit entity for the purpose of preparing the financial statements.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

The financial report is presented in Australian dollars, except when otherwise indicated.

AASB *16 Leases* became mandatorily effective on 1 January 2019. Accordingly, this standard applies for the first time to this set of financial statements. The nature and effect of changes arising from this standard are summarised in Note 4.

2.2 Going Concern

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For the year ended 31 December 2019 the Group incurred a loss after tax of $11,696,865, had net cash outflows from operations of $10,262,378 and had net current assets of $5,855,435, net of cash restricted to use in East Africa. As disclosed at Note 9 the group must repay an amount of $3m to its Senior Lender, in June 2020.

The Directors are of the opinion that the company will be able to pay its debts as and when they fall due and have reached these conclusions based on detailed cash flow forecasts for the next twelve months. The Directors' cash flow forecasts consider a combination of the following strategies in order to make the required debt repayment in June:

- repayment from operating cash flows including the sale of projects in the ordinary course of business;
- repayment from proceeds of a capital raising;
- refinancing of debt; and, if required;
- renegotiation of debt terms, including deferral of maturity dates.

Based on the above the Directors believe the use of the going concern basis of accounting is appropriate. In the scenario that the Group is not able to realise the strategies above when required, there is a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and whether it will be able to realise its assets and extinguish liabilities other than in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability and classification of recorded assets nor to the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

3 Change in accounting policies and disclosures

3.1 Accounting for Power Purchase Agreements in Associate and Joint Venture

In light of evolving accounting interpretation, the Group, has re-assessed the accounting for Power Purchase Agreements (PPAs) which are entered into with third parties (electricity retailers) by its Associate, Kiata Wind Farm Pty Limited, and Joint Venture, Kennedy Energy Park Pty Limited.

Australian Power Purchase Agreements (PPAs) are entered into by project companies with third parties (electricity retailers) in order to ensure that the projects can sell electricity and related products at predetermined prices. It was previously determined that PPAs were contracts with customers for the physical delivery of these products, settled based on the quantity of electricity delivered. Therefore, the Group's Associate and Joint Venture recognised income as it was generated and the Windlab Group recognised its share of income through increasing the carrying amount of the investment in Associate and Joint Venture.

While the accounting standards that outline the measurement and presentation requirements for PPAs have not changed, there has been a reassessment of the accounting interpretation for these contracts across the industry. As the energy component of the PPAs are net settled with the Australian Energy Market Operator (AEMO), it has been concluded that the net payable/receivable from the third party offtaker should be accounted for as a derivative financial instrument in the financial statements of the Associate or Joint Venture. As such, the fair value of the instruments should be recorded as derivative asset or liability in the Associate or Joint Venture. Under current arrangements Large-Scale Generation Certificates (LGCs) are physically settled directly with the counterparty and therefore the change in policy does not apply to the LGC component of the PPAs.

Kennedy's PPA does not meet the requirements to be designated as a hedge under AASB 9 *Financial Instruments*, and is therefore accounted for as a derivative of fair value through profit and loss. This results in the movement in the fair value of the PPA being recorded through the profit or loss statement.

The relationship between Kiata's PPA and its exposure to fluctuating energy prices and production volumes meets the criteria as a qualifying hedge relationship, and is accounted for using hedge accounting. This results in the movement in the fair value of the PPA being recorded in other comprehensive income, rather than through the profit or loss statement.

As the Windlab Group applies equity accounting to its Associate, Kiata Wind Farm Pty Limited, and its Joint Venture, Kennedy Energy Park Pty Limited, this change in accounting for PPAs effects the following components of the Group's financial statements:

- Non-Current Assets - Investments accounted for using the equity method; and
- Accumulated Profit/ (Loss) through the Statement of Profit or Loss as Share of Profit/ (Loss) from Associate and Joint Venture.

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

Impact on Statement of Financial Position

December 2018	December 2018	Adjustment	Restated December 2018
	$	$	$
Non-Current Assets			
Investments accounted for using the equity method – Kennedy Energy Park	32,822,545	(9,254,178)	23,968,367
Total Assets	**61,137,472**	**(9,254,178)**	**51,883,294**
Non-Current Liabilities			
Deferred tax liability	3,735,441	(2,544,899)	1,190,542
Total Liabilities	**10,755,130**	**(2,544,899)**	**8,210,231**
Equity			
Accumulated (loss)	(3,021,667)	(6,709,279)	(9,730,946)
Total Equity	**50,382,342**	**(6,709,279)**	**43,673,063**

3 Change in accounting policies and disclosures (continued)

3.1 Accounting for Power Purchase Agreements in Associate and Joint Venture (continued)
Impact on Statement of Financial Position (continued)

December 2017	December 2017	Adjustment	Restated December 2017
	$	$	$
Non-Current Assets			
Investments accounted for using the equity method – Kennedy Energy Park	32,049,386	(9,410,768)	22,638,618
Total Assets	**73,120,450**	**(9,410,768)**	**63,709,682**
Non-Current Liabilities			
Deferred tax liability	3,963,093	(2,823,230)	1,139,863
Total Liabilities	**16,173,908**	**(2,823,230)**	**13,350,678**
Equity			
Accumulated profit/(loss)	2,030,816	(6,587,538)	(4,556,722)
Total Equity	**56,946,542**	**(6,587,538)**	**50,359,004**

Further details on the impact on the Joint Venture investment is at Note 8(a).

Impact on the Statement of Profit and Loss

December 2018	December 2018	Adjustment	Restated December 2018
	$	$	$
Share of profit from associate and joint venture	1,915,807	156,590	2,072,397
EBITDA	**(6,674,946)**	**156,590**	**(6,518,356)**
(Loss) /Profit before tax	**(6,866,404)**	**156,590**	**(6,709,814)**
Tax benefit/ (expense)	3,038,426	(278,331)	2,760,095
(Loss) for the period	**(3,827,978)**	**(121,741)**	**(3,949,719)**
Total comprehensive (loss) for the period, net of tax	**(4,180,789)**	**(121,741)**	**(4,302,530)**

December 2017	December 2017	Adjustment	Restated December 2017
	$	$	$
Share of profit from associate and joint venture	299,370	(9,410,768)	(9,111,398)
EBITDA	**15,524,952**	**(9,410,768)**	**6,114,184**
Profit/(Loss) before tax	**14,417,007**	**(9,410,768)**	**5,006,239**
Tax benefit/ (Expense)	(4,912,534)	2,823,230	(2,089,304)
Profit/ (Loss) for the period	**9,504,473**	**(6,587,538)**	**2,916,935**
Total comprehensive income/(loss) for the period, net of tax	**8,810,779**	**(6,587,538)**	**2,223,241**

4 New or revised Standards or Interpretations

The group has adopted the new accounting pronouncement which have become effective this year, and are as follows;

4.1 AASB 16 Leases

AASB 16 *Leases* replaces AASB 117 *Leases* along with three Interpretations (AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*). The Standard sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group has applied the new Standard using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from AASB 117 and AASB Interpretation 4 and has not applied AASB 16 to arrangements that were previously not identified as a lease under AASB 117 and AASB Interpretation 4.

Nature of the effect of adoption of AASB 16

The Group has lease contracts for various items of property rented, vehicles and other equipment. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right of use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied on these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the Standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedient wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exceptions to leases with a lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 7.8%.

4 New or revised Standards or Interpretations (continued)

4.1 AASB 16 Leases (continued)

Leases previously accounted for as operating leases (continued)

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	$
Total operating lease commitments disclosed at 31 December 2018	**710,061**
Recognition exemptions	
• Leases of low value assets	-
• Novated vehicle leases	(105,793)
• Leases with remaining lease term of less than 12 months	(51,595)
• Servicing commitments	(28,799)
Other adjustments relating to commitment disclosures	(82,486)
Total	**441,388**
Operating lease liabilities before discounting	441,388
Discounted using incremental borrowing rate	(35,921)
Operating lease liabilities	**405,467**
Total lease liabilities recognised under AASB 16 at 1 January 2019	**405,467**

The effect of adopting AASB 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	$
Assets	
Property, plant and equipment – right of use of asset	348,158
Total Assets	**348,158**
Liabilities	
Other payables – lease liability	(405,467)
Total Liabilities	**(405,467)**
Total Adjustment on Equity:	
Retained earnings	57,309
TOTAL	**57,309**

5 Revenue and Other Income

a. Contracts with Customers

The Group generates revenue from the sale of projects, sales of services for project development, construction and asset management, royalties and dividends. The Group's primary revenue transactions involves sale of services, construction and asset management services.

For the year ended December 2019

	Asset Management Fees	Royalties	Consulting Income	Project Sales	Total
	$	$	$	$	$
Geographical Markets					
Australia	3,663,078	-	-	-	3,663,078
Southern Africa	-	363,521	17,070	-	380,591
Total revenue from contracts with customers	**3,663,078**	**363,521**	**17,070**	**-**	**4,043,669**
Timing of revenue recognition					
Services transferred over time	**3,663,078**	**363,521**	**17,070**	**-**	**4,043,669**

For the year ended December 2018

	Asset Management Fees	Royalties	Consulting Income	Project Sales	Total
	$	$	$	$	$
Geographical Markets					
Australia	2,913,364	-	98,037	-	3,011,401
Southern Africa	-	344,006	2,968	-	346,974
North America	-	-	-	130,201	130,201
Total revenue from contracts with customers	**2,913,364**	**344,006**	**101,005**	**130,201**	**3,488,576**
Timing of revenue recognition					
Goods transferred at a point in time	-	-	-	130,201	130,201
Services transferred over time	2,913,364	344,006	101,005	-	3,358,375
	2,913,364	**344,006**	**101,005**	**130,201**	**3,488,576**

There were no impairment losses recognised on receivables and contract assets arising from contract with customers.

The contract assets primarily relate to the Group's right to consideration for work completed but not billed at the reporting date on asset management services and royalties. The contract assets are transferred to receivables when the rights become unconditional, which usually occurs when the Group issues an invoice to the customer.

5 Revenue and Other Income (continued)

a. Contracts with Customers (continued)

There were no impairment losses recognised on receivables arising from contracts with customers.

	2019	2018
	$	$
b. Other income		
Dividends	37,564	63,021
Research and Development tax incentive	790,477	324,871
Other grant revenue	275,812	7,306
Interest revenue	92,603	61,415
Gain on disposal of fixed asset	-	501
Foreign exchange gain	102,538	-
Other	79,078	56,671
Total other income	**1,378,072**	**513,785**

6 Expenses

	2019	2018
a. Direct costs		
Project expenses	1,566,719	784,254
b. General and administration expenses		
Employee expenses		
Salary and wages	6,514,939	4,553,088
Superannuation	458,289	397,502
Share based payments	589,006	515,316
Total employee expenses	**7,562,234**	**5,465,906**
Administration expenses		
Office and administration	2,650,258	2,190,728
Rental expense relating to operating leases	168,797	302,794
Foreign exchange loss	-	11,899
Total administration expenses	**2,819,055**	**2,505,421**
Total general and administration expenses	**10,381,289**	**7,971,327**
c. Finance costs		
Interest expenses	727,339	342,484
Other finance costs	30,429	119,597
Capitalised finance costs	(557,133)	(407,068)
	200,635	**55,013**

7 Cash and Cash Equivalents

	2019	2018
	$	$
Cash at bank and in hand	15,487,342	4,630,714
Short-term bank deposits	52,481	51,700
	15,539,823	**4,682,414**

The effective interest rate on short-term bank deposits was 0.92% (2018: 0.65%). These deposits are available on demand.

Cash held by Windlab East Africa is restricted for use within that entity. The cash balance to which this restriction applies is $12,043,694 (2018: nil).

Reconciliation of cash flow from operations with profit after income tax

	2019	2018
	$	$
(Loss) after income tax	(11,696,865)	(3,949,719)
Non-cash		
Depreciation	351,376	136,445
Amortisation of financial costs	63,754	-
Share of Profit from associate and joint venture	11,233,246	(2,072,397)
Share based payments	589,006	515,316
Other income	(37,564)	-
(Loss) on sale of fixed assets	-	(508)
Loss on loss of control of subsidiary	-	4,143,421
Foreign exchange differences	(50,565)	(12,402)
Change in assets and liabilities		
(Increase)/ decrease in trade debtors	(344,471)	4,918
(Increase) in prepayments	(53,839)	(190,443)
(Decrease) in tax balances	(7,111,847)	(3,105,100)
Decrease/(increase) in other receivables	(698,615)	752,624
Increase in inventory	(2,742,704)	(5,358,042)
(Decrease)/ increase in trade payables and accruals	56,311	(423,921)
Increase in contract liability	5,315	-
(Decrease)/ increase in accrued interest	(33,862)	190,769
Increase in provisions	208,946	125,257
Cash flow (used in) operating activities	(10,262,378)	(9,243,782)

8 Investments

	Consolidated Group	
	2019	2018 Restated*
Accounted For Using The Equity Method	$	$
Investment in joint venture – Kennedy Energy Park	11,870,621	32,822,545
Change in accounting policy for PPAs (Note 3.1) - Kennedy Energy Park	-	(9,254,178)
Investment in joint venture – Kennedy Energy Park	11,870,621	23,568,367
Investment in associate – Kiata Wind Farm	8,874,575	10,474,632
As at 31 December	**20,745,196**	**34,042,999**
At fair value		
Investment through OCI	**522,372**	**522,372**

* In light of evolving accounting interpretation, the Group, has re-assessed the accounting for Power Purchase Agreements (PPAs) which are entered into with third parties (electricity retailers) by its Associate, Kiata Wind Farm Pty Limited, and Joint Venture, Kennedy Energy Park Pty Limited. This has led to restatement from the December 2018 audited accounts. Refer to Note 3.1.

(a) Investment in joint venture – Kennedy Energy Park

The Group has one material joint venture, Kennedy Energy Park Holdings Pty Ltd ("Kennedy Energy Park").

Name of the joint venture	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interest held by the Group	
			31 December 2019	31 December 2018
Kennedy Energy Park Holdings Pty Ltd	Australia	Development, construction, and operation of Kennedy Energy Park	50%	50%

The investment in Kennedy Energy Park is accounted for using the equity method in accordance with AASB 128.

Summarised financial information for Kennedy Energy Park is set out below:

	2019	2018
	$	$
		Restated*
Current assets [1]	3,131,903	26,091,315
Non-current assets [2]	142,627,120	138,357,753
As at 31 December	**145,759,023**	**164,449,068**
Change in accounting policy for PPA's - Tax movement	-	7,294,293
Non-current assets [2] (restated)	142,627,120	145,652,046
Total assets	**145,759,023**	**171,743,361**
Current liabilities	110,192,180	101,166,119
Change in accounting policy for PPA's - Derivative liability	-	1,403,649
Current liabilities [3] (restated)	110,192,180	102,569,768
Non-current liabilities	14,825,601	637,860
Change in accounting policy for PPA's - Tax movement	-	(637,860)
Change in accounting policy for PPA's - Derivative liability	-	25,036,860
Non-current liabilities [4]	14,825,601	25,036,860
Total liabilities	**125,017,781**	**127,606,628**

1. includes cash and cash equivalents of $2,462,468 (2018: $21,348,270), other receivables $669,435 (2018: $4,307,451) and prepayments $nil (2018: $435,594).

2.includes property, plant and equipment of $137,914,789 (2018: $138,357,753), deferred tax assets of $4,712,331 (2018: $7,924,293).

3. includes trade and other payables of $14,666,416 (2018: $7,378,908), Interest bearing liabilities of $84,563,061 (2018: $84,028,771), Deferred income of $9,758,440 (2018: $9,758,440), Derivative liabilities of $926,411 (2018: $1,403,649) and Lease Liabilities of $277,852 (2018: $nil).

4. includes derivative liabilities of $7,760,935 (2018: $25,036,860), lease liabilities of $4,966,480 (2018: $nil) and Decommissioning provision of $2,098,186 (2018: $nil).

8 Investments (continued)
(a) Investment in joint venture – Kennedy Energy Park (continued)

	2019	2018
	$	$
		Restated
Profit/(Loss) after tax		
Revenue	42,791	3,654,104
Other income	75,770	124,413
Gain on derivative valuation	17,753,163	447,399
Interest Expenses	(75,770)	(124,413)
Operating Expenses	(7,033,345)	(1,292,057)
Corporate and Admin expenses	(2,180,950)	(91,397)
Impairment expense (Note 8(d))	(29,395,114)	-
Depreciation and amortisation	-	(61,624)
Profit/(Loss) for the year before tax	(20,813,455)	2,656,425
Tax expense	(2,581,935)	(796,928)
Profit/(Loss) for the year after tax	(23,395,490)	1,859,498
Total comprehensive profit	**(23,395,490)**	**1,859,498**

The change in accounting policy for PPA's impacted the Statement of Profit or Loss.

A reconciliation of the above summarised financial information to the carrying amount of the investment in Kennedy Energy Park is set out below:

	2019	2018
		Restated*
	$	$
Total net assets of Kennedy Energy Park	20,741,242	44,136,733
Proportion of ownership interest held by Group	50%	50%
Share (loss)/ profit in JV	(11,697,695)	929,749
Proportion of net assets held in Kennedy Energy Park	10,370,621	22,068,367
Fair value on loss of control	1,500,000	1,500,000
Carrying value of interest in Kennedy Energy Park	**11,870,621**	**23,568,367**

Kennedy Energy Park is a Private Company; therefore no quoted market prices are available for its shares.

8. Investments (continued)

(b) Investment in associate – Kiata Wind Farm

The Group has a 25% (2018: 25%) equity interest in Kiata Wind Farm Holdings Pty Ltd (which owns 100% of Kiata Wind Farm Pty Ltd). The investment in Kiata Wind Farm Holdings Pty Ltd is accounted for using the equity method in accordance with AASB 128. The share of profit for the period was $464,500 (2018: $1,142,648).

A reconciliation of the below summarised financial information to the carrying amount of the investment in Kiata Wind Farm is set out below:

	2019	2018
	$	$
Opening investment in Kiata Wind Farm Holdings Pty Limited	10,474,632	11,588,617
Proportion of ownership interest held by Group	25.00%	25.00%
Share of distributions from associate	(1,078,311)	(2,110,776)
Share of other comprehensive income	(986,245)	(145,857)
Share of profit in associate	464,499	1,142,648
Carrying value of interest in Kiata Wind Farm	**8,874,575**	**10,474,632**
Current assets	4,221,097	5,691,251
Non-current assets	73,467,313	73,785,562
Current liabilities	4,538,419	5,451,929
Non-current liabilities	50,148,190	44,617,604
Revenue	11,085,807	15,848,611
Net Profit after tax	1,857,998	4,570,592
Other comprehensive income	(3,944,984)	(521,503)
Total comprehensive profit	(2,086,984)	4,049,089

(c) Investment at Fair Value - Coonooer Bridge Wind Farm

During 2019, $37,564 (2018: $63,021) in distributions from Coonooer Bridge Wind Farm were recorded as dividend revenue by the Group.

(d) Impairment of Joint Venture Assets

In 2019, company recognised its 50% share of an impairment loss of $29,395,114 recorded in the financial statements of Kennedy Energy Park Holdings Pty Ltd("Kennedy"). This amount is $14,657,557 and reflects the write down of a cash-generating unit (CGU) owned by Kennedy to its recoverable amount, calculated as its value-in-use. The CGU consisted of the wind turbine generators, solar PV generators and battery energy storage system. The write down is a result of movements in electricity price forecasts, discount rates, as well as uncertainty around the timing of reaching commercial operations and the outcome of the dispute with the EPC contractor. This was recognised in Kennedy's statement of profit or loss as impairment expense, and hence in Windlab's share of profit or loss of joint venture.

The calculation of value in use for the CGU in Kennedy's financial statements is most sensitive to the following assumptions:

- Discount rates
- Forward energy and LGC prices
- Loss factors
- Commercial operations date
- The outcome of the EPC contractor dispute

Generation volumes

Generation volume assumptions are based on P50 energy assessments of both the wind and solar generation components of the energy park sourced from third-party expert. Third party expert assumptions have been used for the estimation of all expected energy losses to the point of the grid connection. Annual energy production is initially assumed as 214GWh/annum (net of losses), with declines in forward production periods applied based on third party expert's views on expected energy yield reductions attributable to aging of the plant. A decrease in generation volume assumptions would result in further impairment to the CGU.

8 Investments (continued)

(d) Impairment of Joint Venture Assets (continued)

Forward energy and LGC prices

Energy and LGC pricing assumptions used in the valuation have been sourced from a third party expert. Time weighted average pricing has then been adjusted to a Kennedy Energy Park specific production profile, taking into account the expected time of day and seasonal production of the plant. Energy and LGC pricing assumptions are key drivers of the CGU's revenue. Kennedy Energy Park has offtake arrangements which fix a portion of the power and LGC components of revenue. The Group applies derivative accounting measured at fair value through profit or loss to the power component of the offtake arrangements. As this has been recorded separately to the fixed assets of the CGU, the future cash flow associated with the PPA have not been included in the cash flows used to calculate the recoverable amount of the fixed assets. This means the future cash flows used in the discounted cash flows analysis are calculated on a "merchant" basis. A decrease in Energy and LGC pricing assumptions would result in reduced revenue and further impairment to the CGU, though this would also reduce the derivative liability in a corresponding manner.

Loss factors

Loss factors are multipliers which are used to scale energy generation volumes to account for losses in the transmission and distribution networks. The cash flows are based on the actual loss factors published by the Australian Energy Market Operator (AEMO) for 2020 and forecast loss factors for future periods based on technical due diligence performed by a third party expert during the development of the CGU. A decrease in either the MLF or DLF assumptions would result in reduced revenue and further impairment to the CGU.

Commercial operations date

The CGU is expected to reach commercial operations and maximum generation capacity in 2020. Due to underperformance by the EPC contractor there has been significant delays to reaching commercial operations to date, and risk remains of further delay. Any change in timing assumptions for further delays of the completion of construction would result in further impairment to the CGU. There are also material implications from any further delay for the project's financing agreements, discussed below under Further Risks – Going Concern.

EPC contractor dispute

As at balance date, Kennedy is in a contractual dispute with the EPC contractor. The dispute is related to underperformance by the contractor resulting in extensive delays to reaching commercial operation ("COD"). The delays have led to Kennedy issuing Delay Liquidated Damages (DLDs) invoices to the contractor of $13,600,212 and invoices for reimbursement of indemnified costs of $2,879,656. The contractor did not pay any of those invoices. On 30 September 2019 the EPC contractor issued a payment claim for variations of scope, extensions of time and a refund of the DLDs and reimbursements. Kennedy rejected the claim which led to an adjudicator being appointed under the Queensland Building Industry Fairness Act to assess the claim. In February 2020 the adjudicator determined that a payment of $23,791,032 was due to the contractor. This was made up of milestones deemed completed ($949,740), variations and extensions of time ($6,361,423), and reversal of DLDs and reimbursables ($16,479,869).

Kennedy and the EPC contractor entered into a standstill agreement on 12 February 2020 under which the parties agreed to temporarily cease taking action to further their claims in order to confer in good faith and work collaboratively to seek to achieve commercial operation of the CGU and resolve the disputed claims. The standstill agreement included agreement that repayment of DLDs and reimbursable costs was to be effected by reversing those invoices in Kennedy's books, and that no payment would be required for these amounts. Despite this, Kennedy maintains a contractual right to receive payment and therefore has disclosed a contingent asset of $16,479,869. The directors note that if this amount is recovered from the contractor a corresponding increase in the carrying value of the project may be recognised in the future. The agreement expires on 13 March 2020.

8 Investments (continued)

(d) Impairment of Joint Venture Assets (continued)

Discount rates

In determining the value in use for the CGU, the cash flows were discounted at a rate of 7.4% (2018: 5.5%) on a post-tax basis. The discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived with reference to a comparable project currently in development. Recent equity offers have been used to benchmark the current expected return on investment by prospective investors. The cost of debt is calculated by applying a margin to the current 10-year BBSY forward curve.

Management recognises that the uncertainty surrounding the timeline to reaching commercial operations, variability in loss factors and the outcome of the contractor dispute which can all have a significant impact on the project. As such, the discount rate also includes an uncertainty premium.

Any increase to the discount rate used would result in an additional impairment charge to the CGU. Similarly, if a lower discount rate were applied, for example by removing the uncertainty premium if matters resolve favourably, the impairment may be reversed in the future.

Further risks – Kennedy Going Concern

Kennedy's financial statements include the following note disclosure:

> *"Going Concern*
>
> *The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.. [Kennedy's] senior debt facility expires two months prior to the sunset date of the project's offtake agreement. This sunset date is currently 30 June 2020, and hence the facility expiry is 30 April 2020. If the facility expires without extension the project's lenders can determine that the full balance of the debt is immediately due.*
>
> *The Directors are of the opinion that the company will be able to pay its debts as and when they fall due and have reached these conclusions based on detailed cash flow forecasts for the next twelve months. The Directors cash flow forecasts consider a combination of the following strategies in order to manage the potential expiry of the facility:*
>
> - *Completing the project in the ordinary course of business;*
> - *Seeking a further extension to the offtake sunset date from CS Energy;*
> - *renegotiation of debt terms, including deferral of the expiry date, and, if required, resizing of debt on a merchant basis. Such renegotiation may include either or both of the project's senior lender and ARENA.*
>
> *The project's debt facility is also subject to a Review Event which expires on 13 March 2020. This Review Event has been in place due to a shortfall in the project's cost to complete when calculated using the strict definitions found in the facility agreement. The review event has been extended on multiple occasions, principally due to the fact that the project is not expected to face a cash shortfall if it is completed as expected. If the review event is not cured or extended the lender may determine that the full balance of the debt is immediately due.*
>
> *The Directors are of the opinion that the company will be able to pay its debts as and when they fall due and have reached these conclusions based on detailed cash flow forecasts for the next twelve months. The Directors cash flow forecasts consider a combination of the following strategies in order to manage the review event:*

8. Investments (continued)

(d) Impairment of Joint Venture Assets (continued)

- *Completing the project in the ordinary course of business*
- *Prosecuting its contractual and legal rights in respect of the contractual dispute to the full extent, including recovery of damages and calling on securities provided by the contractor, which total $13.6m*
- *Applying the proceeds of a capital raising to cure any cash shortfall arising*
- *renegotiation of debt terms, including extension of the review event expiry date, interest payments, and facility limits.*

Based on the above the Directors believe the use of the going concern basis of accounting is appropriate. In the scenario that [Kennedy] is not able to realise the strategies above when required, there is a material uncertainty that may cast significant doubt upon [Kennedy's] ability to continue as a going concern and whether it will be able to realise its assets and extinguish liabilities other than in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability and classification of recorded assets nor to the amount and classification of liabilities that might be necessary should [Kennedy] not continue as a going concern."

If Kennedy is unable to pay its debts as and when they fall due and payable, the Group's investment in Kennedy may be further partially or fully impaired.

9 Interest Bearing Liabilities

	2019	2018
	$	$
Current – secured liabilities		
Senior debt – CEFC	3,195,569	607
Non-current – secured liabilities		
Senior debt - CEFC	6,645,301	3,030,689

The Group has one debt facility at the reporting date being a corporate debt facility with the Clean Energy Finance Corporation (CEFC).

Corporate debt facility

In June 2019 the terms and tenure of the existing corporate debt facility with The Clean Energy Finance Corporation ("CEFC") were amended. The facility was originally established in April 2016. Under the amended corporate debt facility, the facility has been increased to $10m and the maturity date has been extended until 16 June 2022 and subject to certain conditions may be repaid periodically from 30 September 2019 or at maturity.

Fair value of interest bearing liabilities

The fair values of the interest bearing liabilities are approximately equal to their carrying values. The fair value of loans are classified at level 2 in the fair value hierarchy and are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risks and remaining maturities.

10 Non-Controlling Interest

Verdigre Land and Wind Partners LLC ("VLWP")

Windlab holds an investment in a special purpose vehicle VLWP. Windlab has the ability to appoint three of the five directors of VLWP and thereby controls VLWP. VLWP is consolidated into these financial statements, and a non-controlling interest is shown on the Balance Sheet representing non-controlling interest in VLWP's net assets. VLWP made a loss in the year ending 31 December 2019 of US$17,747 (2018: loss of US$16,580).

10. Non-Controlling Interest (continued)

Investment in Windlab East Africa (Pty) Ltd - Non-Controlling Interest

On 25 February 2019, Windlab Limited entered into an agreement with Eurus Energy Holdings Corporation (Eurus) in which Eurus subscribed for 25% of the shares in Windlab East Africa (Pty) Ltd (WEA) for USD$10.0m. WEA holds the rights to existing and future development projects in Ethiopia, Kenya, Tanzania, Zambia, Uganda, Rwanda, Burundi and Malawi. Following satisfaction of conditions precedent, including the completion of corporate structuring and statutory filings and approvals, the transaction was completed on 20 March 2019.

The Group considers that it controls Windlab East Africa (Pty) Ltd (WEA) as it controls the Board of Directors of that entity. Certain reserved matters require approval of the minority director or the minority shareholder, but the Group considers that these rights are protective rather than substantive and do not provide the minority shareholder with control.

With its 25% shareholding in WEA, Eurus has the right to proportional Board representation of WEA, customary minority protections and a first right to provide equity on competitive terms for the construction of the projects in these countries. As the Windlab Group has the ability to direct the relevant activities of WEA (being the development of projects in the relevant territories), it controls WEA and therefore its assets, liabilities, income and expenses are included in the consolidated financial statements of the Group. The Non- Controlling Interest held by Eurus in the results and equity of WEA are shown in the consolidated statement of profit or loss and other comprehensive income and statement of financial position respectively.

As part of the transaction, cash held by WEA is restricted for use within that entity. The cash balance in the Group accounts to which this restriction applies is $12.04M (2018: $nil).

Prior to the sale, the carrying amount of Windlab East Africa (Pty) Ltd, was $2,523,142. Windlab recognised an increase in non-controlling interests of $3,720,961 and an increase in equity attributable to the owners of the parent by an increase additional paid in capital of $9,700,977 and a reduction in accumulated losses of $353,746.

The effect on Non-Controlling Interest is summarised as follows:

	2019
Non-controlling Interest	**$**
Issue of paid up share capital to Eurus	4,134,136
Transaction costs attributable to Eurus	(59,429)
Share of losses transferred to non-controlling interest on sale of WEA	(353,746)
	3,720,961

The effect on equity to the owners of Windlab during the year ended 31 December 2019 is summarised as follows:

	2019
Owners of the Parent	**$**
Consideration paid by non-controlling interest	14,013,401
Issue of paid up share capital to Eurus	(4,134,136)
	9,879,265
Transaction costs attributable to Windlab	(178,288)
Excess Consideration paid recognised as Additional Paid in Capital within Equity	**9,700,977**
Share of losses transferred to non-controlling interest on sale of WEA	**353,746**

WEA is consolidated into these financial statements, and a non-controlling interest is shown on the Balance Sheet representing non-controlling interest in WEA's net assets. WEA made a loss in the period ending 31 December 2019 of US$1,990,559.

11 Earnings Per Share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2019 $	2018 $ Restated
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share	(11,186,802)	(3,938,177)

No adjustment to profit was necessary in 2019 and 2018.

	2019 Number	2018 Number
Weighted average number of ordinary shares for basic EPS	66,982,396	67,371,562
Weighted average number of ordinary shares adjusted for the effect of dilution	**66,982,396**	**67,371,562**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statement.

12 Operating Segments Information

The Windlab Group with operations consisting of renewable energy development and operational activities, is organised into business units based on three geographical regions as being Australia, Africa and North America. Management monitors the operating results of each segment separately for the purpose of making operational and investment decisions. Segment performance is evaluated based on project expenditure relative to budget, and measures used are in compliance the accounting policies applied in the consolidated financial statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

29 Operating Segments Information (continued)

31 December 2019	Asset Management	Developments					Other		
	Australia	Australia	East Africa	Southern Africa	USA	Segments	Corporate	Elimination	Total
	$	$	$	$	$	$	$	$	$
Revenue									
External customers	3,663,078	-	-	380,591	-	4,043,669	-	-	4,043,669
Other revenue	585	37,581	310,799	39,159	1,269	389,393	967,944	(81,803)	1,275,534
Foreign Exchange	-	-	-	-	-	-	339,513	(236,975)	102,538
Share of loss from associate and joint venture	-	(11,233,246)	-	-	-	(11,233,246)	-	-	(11,233,246)
Total revenue	**3,663,663**	**(11,195,665)**	**310,799**	**419,750**	**1,269**	**(6,800,184)**	1,307,457	**(318,778)**	**(5,811,505)**
Expenses									
Depreciation & Amortisation	52,257	46,661	53,289	28,972	4,050	185,229	166,147	-	351,376
Movements in Inventories	-	(1,781,149)	(736,533)	-	(224,173)	(2,741,855)	-	-	(2,741,855)
Project costs	41,013	2,363,965	1,601,254	287,032	292,838	4,586,102	26,320	(303,848)	4,308,574
Employee Benefits Expense	2,126,124	1,152,318	558,570	394,727	232,584	4,464,323	3,172,315	(74,404)	7,562,234
Write off loans/investment	-	(306,450)	-	-	-	(306,450)	391	306,059	-
Finance Costs	9,094	-	-	-	-	9,094	191,540	-	200,634
Other Expenses	416,839	179,869	591,257	253,283	70,656	1,511,904	1,396,607	(89,456)	2,819,055
Segment Profit/(Loss) before tax	**1,018,336**	**(12,850,879)**	**(1,757,038)**	**(544,264)**	**(374,686)**	**(14,508,531)**	**(3,645,863)**	**(157,129)**	**(18,311,523)**
Total Assets	**878,287**	**30,503,237**	**14,288,722**	**347,901**	**2,344,968**	**48,363,115**	**13,340,206**	**(2,902,809)**	**58,800,512**
Total Liabilities	**327,807**	**468,957**	**825,152**	**167,067**	**78,696**	**1,867,679**	**11,868,346**	**(297,611)**	**13,438,414**
Other disclosures									
Investments in an associate and a joint venture	-	20,745,196	-	-	-	20,745,196	-	-	20,745,196
Non-Current Asset expenditure including development costs	2,185	3,241,122	1,844,027	838	2,049,424	7,137,596	379,067	-	-

29 Operating Segments Information (continued) (restated)

31 December 2018	Asset Management	Developments					Other		
	Australia	Australia	East Africa	Southern Africa	USA	Segments	Corporate	Elimination	Total
	$	$	$	$	$	$	$	$	$
Revenue									
External customers	2,953,901	-	-	346,974	130,202	3,431,077	57,499	-	3,488,576
Other revenue	17,568	63,050	7,306	40,538	1,089	129,551	384,234	-	513,785
Share of profit from associate and joint venture	-	2,072,397	-	-	-	2072397	-	-	2,072,397
Total revenue	**2,971,469**	**2,135,447**	**7,306**	**387,512**	**131,291**	**5,633,025**	**441,733**	**-**	**6,074,758**
Expenses									
Depreciation & Amortisation	13,984	33,136	43,355	13,849	1,380	105,704	30,741	-	136,445
Movements in Inventories	-	(3,546,941)	(659,023)	-	(617,600)	(4,823,564)	725	-	(4,822,839)
Project costs	36,947	3,759,755	811,658	334,223	650,827	5,593,410	13,683	-	5,607,093
Loss of control of subsidiary	-	-	-	-	4,504,193	4,504,193	-	(666,660)	3,837,533
Employee Benefits Expense	2,043,438	815,483	101,180	432,551	141,269	3,533,921	1,935,941	(3,956)	5,465,906
Finance Costs	-	(361,843)	(42,786)	295	586	(403,748)	454,805	3,956	55,013
Other Expenses	267,112	56,390	122,664	339,737	82,157	868,060	1,625,462	-	2,493,522
Foreign Exchange	-	(390)	-	-	-	(390)	(1,268,450)	1,280,739	11,899
Segment Profit/(Loss) before tax	**609,988**	**1,379,857**	**(369,742)**	**(733,143)**	**(4,631,521)**	**(3,744,561)**	**(2,351,174)**	**(614,079)**	**(6,709,814)**
Total Assets	**449,760**	**42,026,488**	**1,176,555**	**307,122**	**2,163,307**	**46,123,232**	**5,805,201**	**(95,139)**	**51,833,294**
Total Liabilities	**188,940**	**1,269,238**	**208,225**	**161,110**	**65,145**	**1,892,658**	**6,317,573**	**-**	**8,210,231**
Other disclosures									
Investments in an associate and a joint venture	-	34,042,999	-	-	-	34,042,999	-	-	34,042,999
Non-Current Asset expenditure including development costs	16,087	2,849,944	187,635	119,711	1,815,987	4,989,364	51,756	-	5,041,120