windlab LIMITED

ASX RELEASE

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28 February, 2019

Release of 2018 Annual Results

Windlab Limited ("WND" or "**the Company"),** Australia's international wind energy development company, today released its financial results for the year ending 31 December 2018, which included a 65% increase in recurring revenue to $5.24M.

The Company made good progress towards achieving a number of strategic goals during the year but notes the significant impact on development revenues caused by the delay in Lakeland Wind Farm reaching financial close.

Financial Results:

- Total income and share of profits from associate and joint venture* were $5.9M;
- Recurring revenue (comprising asset management fees, royalties and profits from associates) grew 65% to $5.24M;
- Employees and administration expenses remain largely unchanged from 2017 at $7.97M;
- NPBT was a loss of ($6.9M), which included ($4.1M) to bring the full cost of sale of Greenwich Wind Park to account on a loss of control, resulting from its sale. US$4M in revenue will be recognised as a milestone success payment when this project reaches financial close, expected in 2019, with no further material expenses associated with the transaction.

* Profits from associate and joint venture are profits attributable to WND from its equity ownership in renewable projects under construction or in operation. These increased 540% during the year to $1.92M.

Operations Update:

During the year WND achieved the following key outcomes;

- Kiata Wind Farm operated for its first year of service delivering equity accounted profits well in advance of forecast and operated with the second-best net capacity factor of any wind farm in Australia at 48.2%;
- Added 600MW of potential capacity to the development portfolio in Australia as a result of a high hub height prospecting programme;
- Greenwich Wind Park in Ohio was sold to Swift Current Energy LLC;
- Miombo Hewani was the first proposed wind farm in Tanzania to receive environmental and development approvals;
- Resource monitoring was commissioned on the first hybrid wind, solar and storage project on the African continent at Meru in Kenya;

- Successfully raised a US$10M(A$14m) investment for a 25% interest in Windlab Africa Pty Ltd, the holding entity for WND's East African portfolio, partnering with Eurus Energy Holdings Corporation of Japan.

The OECD markets in which the Company operate continue to endure a lack of long-term progressive energy policy, while the economic benefits of renewable energy continue to improve and are driving wide scale adoption and quickening the transition to a low carbon electricity sector. The lack of policy and co-ordination with states and regulators is creating technical, market and investor uncertainty which flows through to create a more uncertain operating environment. In 2018 the Australian market saw the emergence of new network connection issues stemming from, amongst other things, the uncoordinated deployment of large amounts of distributed renewable generation. This situation has required the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER) to introduce new connection standards and rules requiring higher levels of technical performance from renewable plants. The nature and rapid implementation of these new rules increases the complexity of obtaining grid connection approvals, compliance and registration, with a direct flow on to the cost of development and the capital cost of projects. This has become an industry-wide problem, contributing to a number of well publicised project delays and cost overruns that have impacted some wind and numerous solar project developers and constructors. It will be more expensive to connect future wind and solar projects in Australia. However, the release of new wind turbine models by most manufacturers clearly indicate that ongoing technology, energy production and price improvements are expected to more than off-set the additional connection costs in the medium term.

The challenging regulatory environment has created additional uncertainty around grid connection capacity in North Queensland. With no meaningful advice, plan or action by the Queensland Government on its proposed "Clean Energy Hub" the Company decided to undertake its own detailed grid study to better understand available capacity, potential loss factors, load flows and potential grid upgrade investment scenarios. This study concluded that "Big Kennedy" is most competitive with either the "Clean Energy Hub" or the proposed Copperstring 2 facilitating a simpler grid connection. In the absence of certainty of either connection solution other large projects in WND's portfolio were shown to be more competitive and the company has moved to accelerate those projects ahead of Big Kennedy. In particular the company has accelerated work on another North Queensland project (circa ~250MW), which is located adjacent to North Queensland's main 275KVA transmission line. This re-prioritisation provides improved optionality and the likelihood of project success in North Queensland.

Kennedy Energy Park

Kennedy Energy Park continues to progress through the connection and commissioning process. The project, and particularly the connection process has been delayed through the performance of the project's Engineering, Procurement and Construction (EPC) contractor. The Company believes, supported by legal advice, that the project has strong recourse under the contract and at law for any financial disadvantage caused by these delays. Despite the delays the project received conditional consent from AEMO to its generator performance standards under the pre-1 February 2019 rules which is advantageous and reduces complexity and risk in the registration process. Final approval of these standards is now the critical path to energisation.

Flooding in the surrounding districts during the early part of February prevented access to site by Ergon Energy's commissioning crews. As a consequence, the project has notified its offtaker CS Energy of a force majeure event extending the PPA's sunset dates. Energisation is now expected in Q2 2019.

Lakeland Wind Farm:

The withdrawal of InfraRed Capital Partners as the exclusive equity partner for Lakeland Wind Farm in November 2018 was both surprising and disappointing. Since that time the Company has engaged with a number of alternative equity investors. Good progress has been made in selecting a partner(s) for the project. However, a confluence of issues has impacted progress of the project and likely financial close timing. The delay has pushed the project into a new connection regime, which commenced on 1 February 2019, requiring the project to fund significant additional network connection equipment, including a synchronous condenser. The recent availability of new wind turbine models with improved performance and better economics have created an opportunity to re-tender the wind turbine supply contract for the project, mitigating the impact of increased connection costs. Given these circumstances it was considered prudent to pursue the available wind turbine cost reductions, rather than rush the project to financial close, potentially eroding millions of dollars in value. These activities will delay to the project further but financial close is still expected to be achieved in 2019.

Outlook:

The investment from Eurus Energy Holding Corporation into Windlab Africa will allow the Company to accelerate activities in this exciting emerging market, allowing it to further strengthen and diversify its development portfolio. Other key activities anticipated during 2019 which are consistent with achieving our strategic goals are:

- Reach financial close on Lakeland Wind Farm;
- Commence operations of Kennedy Energy Park;
- Secure additional third-party asset management contracts;
- Further improve the Company's debt facilities;
- Receive the financial close milestone payment for the Greenwich Wind Park;
- Submit a development application for "Big Kennedy" and up to 3 additional projects;
- Work towards financial close of Miombo Hewani in Tanzania; and
- Be ready to bid multiple projects into the next round of the South Africa Renewable Energy Independent Power Producer Program.

Investor Briefing

The Company will host a briefing for investors and analysts at **10:00am** (AEDT) on **1 March 2019**.

At the time of calling please dial **+612 8015 2088** and provide the conference ID: **8454059459#**

ENDS

For further information please contact:

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Chief Financial and Operating Officer
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Forward-Looking Statements

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement

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 2018	31 December 2017

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

		Percentage change			$
2.1	Total revenue from ordinary activities	Down	(85%)	To	$3,488,576
2.2	Profit for the period after tax	Down	(140%)	To	($3,827,978)
2.3	Net profit for the period attributable to the owners of Windlab Limited	Down	(148%)	To	($4,285,107)
2.4	Dividends	No dividends			

2.6 **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 profits from associate and joint venture of $1,915,807, up by 540% over the previous period. Total revenue from recurring sources (asset management, royalties, dividends, and share of profit from operating projects was $5.24m, an increase of 65% on 2017.

The sale of Greenwich Windpark LLC also impacted on the Group's result. The transaction resulted in a loss of control of a subsidiary, and as required by Accounting Standards the consideration paid at the date of sale was offset against the carrying amount of the net assets sold, which resulted in a loss of $3,837,533 being recorded in the profit and loss. Approximately another US$4m in consideration is due from the project on financial close, although this is not recognised as an asset at balance date.

Please refer to the Review of Operation's section of the Directors' Report in the 2018 financial statements and the results presentation and media release accompanying this report.

3. STATEMENT OF COMPREHENSIVE INCOME

Please refer to the attached financial statements for the year ended 31 December 2018.

4. STATEMENT OF FINANCIAL POSITION

Please refer to the attached financial statements for the year ended 31 December 2018.

5. STATEMENT OF CASH FLOW

Please refer to the attached financial statements for the year ended 31 December 2018.

6. STATEMENT OF CHANGES IN EQUITY

Please refer to the attached financial statements for the year ended 31 December 2018.

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 2018	31 DECEMBER 2017
	CENTS	CENTS
Net tangible backing per ordinary share	74.5	84.8

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

On 22 August 2018, the Group disposed of its 100% equity interest Greenwich Windpark LLC, which was held indirectly via Windlab Developments USA Inc.

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 PROFIT AFTER TAX	ENTITY NET PROFIT/(LOSS) AFTER TAX
Kennedy Energy Park Pty Ltd	Current period: 50% Previous corresponding period: 50%	1,546,318	(12,106)
Kiata Wind Farm Holdings Pty Ltd	Current period: 25% Previous corresponding period: 25%	4,570,592	1,221,626

12. OTHER SIGNIFICANT INFORMATION

Please refer to the attached financial statements for the year ended 31 December 2018.

13. FOREIGN ENTITIES

Not applicable.

14. COMMENTARY

For further explanation please refer to the attached financial statements for the year ended 31 December 2018.

15. ANNUAL GENERAL MEETING

It is proposed that the Company's Annual General Meeting will be held on Thursday 11 April 2019.

16. COMPLIANCE STATEMENT

This report should be read in conjunction with the attached financial statements for the year ended 31 December 2018, which have been audited by Grant Thornton.

Andrew Cooke
Company Secretary

28 February 2019

Directors' Report

The Directors of Windlab Limited (Windlab) present their Report together with the financial statements of the Consolidated Entity, being Windlab Limited ('the Company') and its Controlled Entities ('the Group') for the year ended 31 December 2018.

Principal Activities

The principal activities of the consolidated Group during the financial year were renewable energy project development, renewable energy project equity ownership and renewable energy asset management services.

No significant change in the nature of these activities occurred during the year.

Review of Operations

The Group generates revenue from development of wind farms, asset management fees, as well as royalties and distributions from operating projects. In 2018 revenue was principally derived from the operation of Kiata Wind Farm, West Coast One, and asset management fees. Development revenue was derived from the sale of the Greenwich Wind Park in the United States, although the bulk of the revenue from this transaction will be recognised in future years. Development activities in all markets progressed, accounting for the majority of the company's expenditure.

Director Details

The names and details of the Company's Directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Roger Price, B. Eng.
(Executive Chairman and Chief Executive Officer)

Roger is the Executive Chairman and Chief Executive Officer of Windlab. He joined Windlab's Board in August 2007 and has been employed by Windlab since 1 March 2011.

Roger has over 30 years of executive, technology management, business development and extensive investment experience across multiple industries internationally. He has led a number of Australian technology companies to international success, including Windlab. He has led the financing, sale or acquisition process for more than 10 companies and raised in excess of $150,000,000 of equity for various enterprises during his career. He has been involved in the financing and delivery of infrastructure projects across a range of industries including telecommunication, transport and energy.

At Windlab he has been instrumental in building a team with deep experience across all facets of renewable energy development, finance, operation and construction.

Roger sits on the board of Audinate Group Limited (ASX: AD8) and is a member of that company's Audit and Risk Committee.

Directors' Report (continued)

John Cooper BSc (Building) Hons, FIE Aust., FAICD, FAIM (Non-Executive Director & Chair of the Remuneration Committee)

John joined Windlab's Board in July 2017 as an Independent Non-Executive Director of Windlab.

John has over 10 years' experience on the Boards of companies in both executive and non-executive roles in the engineering mining, property and construction industries.

Between 2015 and 2016 John was a member of the Board of UGL as a non-executive director. In April 2012 he was invited to join the Board of Aurizon Holdings (formerly Queensland Rail), John is also a member of the Board of Sydney Motorway Corporation.

Prior to serving on the Boards of various companies, John acted as a consultant advising major organisations, including AMP, Rail Services Australia and Austcorp on property related matters.

He served as CEO and managing director of CMPS&F, a design engineering and project management organisation specialising in the oil and gas, infrastructure and environmental projects for four years.

Pippa Downes, B.Sc., M. Applied Finance, GAICD (Non-Executive Director & Chair of the Audit and Risk Committee)

Pippa is an Independent Non-Executive Director of Windlab and joined the Board in July 2017. Pippa has over 25 years of experience in global financial services organisations. She currently serves on the Boards of the Australian Technology Innovators, Sydney Olympic Park Authority and ALE Property Group, and is the Chair of the Audit and Risk Committees of each. She also is a Commissioner of Sport Australia and sits on the Boards of the ASX Clearing and Settlement Companies.

During her executive career she worked in Australia, Asia and the US and most recently as a Managing Director and Equity Partner at Goldman Sachs in Australia.

Charles Macek B.Ec., M.Admin, FCA, FCPA, FAICD, Sf Fin (Non-Executive Director & Member of the Audit and Risk Committee)

Charles is an Independent Non-Executive Director of Windlab. He joined Windlab's Board in July 2017. Charles has over 15 years' experience on the Boards of companies in diverse industries. He is currently the Chair of the Board of Vivid Technology Limited. Charles is a Fellow of the Australian Institute of Company Directors, CPA Australia, Chartered Accountants in Australia and New Zealand, and a Senior Fellow of FINSIA. Charles is a consultant to the Investment Committee of Unisuper Ltd., and a Senior Corporate Advisor to the MMC group in Australia. He also serves as a member of the Corporate Governance Committee of AICD and a member of the Shareholder's Responsibility Committee of the International Corporate Governance Network.

Charles' previous Board roles include Wesfarmers, where he was a member of both the Audit and Remuneration Committees; Telstra, where he chaired the Remuneration Committee and was a member of the Audit Committee; and Vicinity Ltd, where he chaired the Remuneration and HR Committee. He was a member of the Financial Reporting Council 1999-2007 and was Chairman 2003-2007.

Joseph O'Brien, B. Bus., GAICD (Non-Executive Director & Member of the Audit and Risk Committee and Remuneration Committee)

Joseph is an Independent Non-Executive Director of Windlab. He joined Windlab's Board in November 2016.

Joseph has worked in the energy industry for nearly 20 years leading the establishment of a number of consulting and project development businesses and providing significant advice in the electricity supply sector. Over this period, he has primarily worked as a CEO, Managing Director and advisor. Joseph's practices have revolved around electricity supply, across both infrastructure and trading markets, with experience in executive management within multinational corporate environment including as part of the global finance committee of GHD Pty Ltd a professional services firm with turnover exceeding US$1 billion. Over recent years, Joseph's focus has been on innovative, commercial and regulatory policy strategies to support energy infrastructure and energy-related project investment via Defiance Energy and VisIR, where Joseph is Executive Chairman. Joseph is a Board member of not-for-profit organisations QLD Art Gallery, Mater Hospital Foundation Brisbane and Vincent Fairfax Family Foundation.

Interests in the Shares and Options of the Company and Related Bodies Corporate

As at the date of this report, the interests of the directors in the shares and options of Windlab Limited were:

	Number of ordinary shares	Number of options over ordinary shares	Number of warrants over ordinary shares
R. Price	217,376	1,440,000	932
J. Cooper	12,500	66,000	–
P. Downes	–	66,000	–
C. Macek	30,000	66,000	–
J. O'Brien	10,000	146,000	–

Company Secretaries

Robert Fisher, B. Ec., B. Comm., M. App. Tax, FCA, GAICD

Mr Fisher is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and Windlab's Chief Financial and Operating Officer.

Andrew J. Cooke, LLB

Mr. Cooke holds a law degree from the University of Sydney and has over 30 years' involvement in the corporate arena primarily engaged in the finance, resource, biotech and property sectors. He has worked throughout the Australasian region and in North America and acquired extensive experience in capital raising, joint ventures, strategic alliances, project financing, corporate governance and listing requirements.

Directors' Meetings

The number of Directors' meetings (including meetings of Committees of Directors) held during the year, and the number of meetings each Director was eligible to attend and did attend is as follows:

Directors' name	Board meetings		Audit and risk committee		Remuneration committee	
Total meetings held	10		4		2	
Number of meetings attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
R. Price	10	10	–	–	–	–
J. Cooper	10	10	–	–	2	2
P. Downes	10	10	4	4	–	–
C. Macek	10	10	4	4	–	–
J. O'Brien	10	10	4	4	2	2

Directors' Report (continued)

Committee Membership

As at the date of this report, the Company had an Audit & Risk Committee, and a Remuneration Committee of the Board of Directors. Members acting on the committees of the board during the year were:

Audit & Risk	Remuneration
Pippa Downes	John Cooper
Joseph O'Brien	Joseph O'Brien
Charles Macek	

Dividends

No dividends were paid or payable in the current or prior period.

Significant Changes in the State of Affairs

Other than as described in this report, there have been no significant changes in the state of affairs of the Group during the year.

Significant Events After the Balance Date

Windlab entered an equity raising transaction and selected a development partner for Windlab's East African portfolio in February 2019. This portfolio consists initially of 16 potential wind farms, including Miombo Hewani and Meru spanning Zambia, Tanzania, Kenya, Ethiopia and smaller surrounding countries and are owned by a subsidiary called Windlab Africa (Pty) Ltd. Windlab secured US$10M from Eurus Energy Holding Corporation of Japan in return for a 25% equity interest in Windlab Africa. The transaction was executed after balance date and is expected to close in March, subject to statutory filings and approvals. Proceeds from this equity raise will be used to accelerate the development of the portfolio in East Africa.

Future Developments and Expected Results

Based on increasing demand for renewable generation capacity in the Group's key markets, there is expected to be further opportunity for the development of renewable energy generation projects and asset management services in these markets. The Group is continuing to develop renewable energy projects in Australia, Africa and North America, and to pursue asset management opportunities in Australia and South Africa. Given that these activities are currently in progress and are competitive in nature, the Group has not disclosed further details about the possible impact on the Group's business strategy and future prospects.

Environmental Regulations and Performance

The consolidated Group's operations are subject to environmental regulations, in particular relating to wind monitoring and wind farm project development. To respond to environmental regulatory risks, the consolidated Group requires that environmental risks associated with its activities are managed via legal registers, risk assessment protocols and environmental management plans.

The Directors are not aware of any material non-compliance issues during the period covered by this Report.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the consolidated Group or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The consolidated Group was not a party to any such proceedings during the year.

Indemnification and Insurance of Directors and Officers

During the year, Windlab paid a premium to insure Officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the Officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the Officers or the improper use by the Officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Company has also entered into a Deed of Access ('Deed') and Indemnity with all past and present Directors and Mr Fisher as Company Secretary, which provides an indemnity to the Directors for legal costs and any liability arising from negligence of the Director, to the extent permitted by law. In addition, the Deed allows the Company to advance a Director an interest free loan equal to any legal costs which, in the Company's opinion, are not permitted to be indemnified under the law. Any such advance is repayable by the Director at the conclusion of the proceedings.

Indemnification of Auditors

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former Auditor of the Group against a liability incurred as such by an Auditor.

Non-Audit Services

Details of the amounts paid or payable to the Auditor for non-audit services provided during the financial year by the Auditor are outlined in Note 24 to the financial statements. The Directors are satisfied that the provision of non-audit services during the financial year by the Auditor (or by another person or firm on the Auditor's behalf), is compatible with the general standard of independence for Auditors imposed by the *Corporations Act 2001*. The Directors are of the opinion that the services as disclosed in Note 24 to the financial statements do not compromise the external Auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under Section 307C of the *Corporation Act 2001*, is included on page 20 of this financial report and forms a part of this Directors' Report.

Officers of the Company who are Former Partners of Grant Thornton

There are no Officers of the Company who are former partners of Grant Thornton.

Rounding

Amounts contained in this report and in the financial report have been rounded to the nearest dollar.

Directors' Report (continued)

Remuneration Report (audited)

The remuneration report details the Key Management Personnel (KMP) remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. The remuneration report is set out under the following main headings:

- Principles used to Determine the Nature and Amount of Remuneration
- Details of Remuneration
- Service Agreements
- NED Remuneration
- Shareholdings of KMP
- Loans to Directors and Executives

Principles Used to Determine the Nature and Amount of Remuneration

The objective of the Group's executive reward and incentive framework is to attract, retain and motivate suitably qualified and experienced personnel, drive corporate performance and, reward results with appropriate and competitive incentives. The framework is designed to align executive remuneration with the achievement of corporate objectives and the creation of value for shareholders, and it is considered to conform to good market practices for driving Group performance by incentive. The Board of Directors aims to ensure that executive remuneration satisfies the following key criteria for good remuneration governance practices:

- simplicity and transparency – incentive arrangements are readily understood by the Group's executives and key stakeholders;
- competitiveness and reasonableness – to attract and retain executives and other staff in a competitive market for skills and experience;
- acceptability to shareholders – aligning the interests of the Group's executives and the interests of shareholders; and
- performance linkage – reward is proportionate and relevant to Group and individual performance.

The Remuneration Committee is responsible for advising the Board on the composition of the Board and its Committees, evaluating potential Board candidates and advising on their suitability, and ensuring appropriate succession plans are in place. The Remuneration Committee establishes, amends, reviews and approves the compensation and equity incentive plans with respect to senior management and employees of the Group including determining individual elements of the total compensation of the Chief Executive Officer and other key management personnel. The Remuneration Committee may seek external advice to determine the appropriate level and structure of the remuneration packages from time to time.

The remuneration framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- attracting and retaining high calibre executives;
- having revenue and earnings performance as a core component of any short-term incentive or bonus plan design as well as focusing the executive on key non-financial drivers of value; and
- focusing on sustained growth in shareholder wealth by aligning executives long term interests via a long-term incentive plan.

Additionally, the remuneration framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with good practice corporate governance, the structure of Non-Executive Director and Executive Director remuneration is separate.

Overview of non-executive director remuneration

Windlab's Non-Executive Directors' (NEDs) fee policy is designed to attract and retain high calibre Directors who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence and objectivity. NEDs receive fees only and do not participate in any performance-related incentive payments, but may receive options, performance rights to acquire shares as a component of their fee. NED fees reflect the demands and responsibilities of the Directors.

The Remuneration Committee reviews NED remuneration from time to time against comparable companies. The Board may also consider advice from external advisors when undertaking the review process.

ASX listing rules require the aggregate NEDs remuneration be determined periodically by a general meeting. This amount is currently capped under the Constitution at $750,000 per annum. Any increase to the aggregate amount needs to be approved by shareholders. Directors will seek approval from time to time, as appropriate. This aggregate annual sum does not include any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of the Group, which may be in addition to or in substitution of the Director's fees. The Company has entered into an appointment letter with each of its NEDs.

The table below summarises Board and Committee fees payable to NEDs for 2018 (inclusive of superannuation):

Board fees		**$ per annum**
Non-Executive Directors		65,000
Committee fees		
Audit	Chair	15,000
	Member	Nil
Remuneration	Chair	15,000
	Member	Nil

Executive remuneration

The Company has established a number of incentive arrangements to enable the attraction, motivation and retention of management and employees of Windlab. For the executive team, the remuneration packages consist of:

- fixed remuneration;
- cash-based short-term incentives;
- the Company's pre-IPO Employee Share Option Plan, under which no new options have been or will be issued post 30 June 2017; and
- the Employee Share Incentive Plans implemented at the time of the Company's IPO, in August 2017.

Fixed remuneration

Senior Executive base salaries include a fixed component of base salary together with employer superannuation contributions that are in line with statutory obligations.

The fixed remuneration component for Senior Executives is based on market data for comparative companies of the same size and complexity as well as having regard to the experience and expertise of the Senior Executive. Fixed remuneration for Executives is reviewed annually to provide competitiveness with the market, whilst also taking into account capability, experience, value to the organisation and performance of the individual. There is no guaranteed salary increase in any Senior Executive service contract.

Cash-based short-term incentives (STI)

The STI Plan is designed to reward eligible employees for their efforts toward the accomplishment of the Group's annual objectives and the achievement of non-financial value creating objectives (or individual key performance targets) during the plan year. Under the STI Plan, the decision to pay any bonus remains at the full discretion of the Board, based on recommendations by the Remuneration Committee. The key components of the cash-based STI Plan are:

- participants are entitled to receive a percentage of their fixed remuneration as an annual cash bonus. The percentage varies from 10% to 65%, the latter being the case for the Chief Executive Officer;
- payment of an annual cash bonus is determined based on a combination of the achievement of individual key performance targets and objectives, and the Group's performance against revenue and earnings key performance indicators; and

Directors' Report (continued)

- key performance indicators are set annually. For Group performance they may include measures such as revenue, EBITDA and growth targets, or other targets as considered appropriate and set by the Board. For individual key performance targets and objectives, they may include the achievement of certain non-financial but value adding milestones and outcomes.

The Remuneration Committee sets the Group's STI key performance indicators and individual key performance targets and objectives for key management personnel.

Long term incentives (LTI)

The LTI Plan is designed to assist in the reward, retention and motivation of the Group's senior management and other key employees ('participants') and align their interests with those of shareholders. Under the rules of the LTI Plan, the Board has a discretion to offer awards (being options to acquire shares; performance rights to acquire shares; and/or shares, including those acquired under a limited recourse loan funded arrangement) to nominated participants.

The Remuneration Committee engaged KPMG during the period to conduct a review of the Group's executive and senior management remuneration practices, comparing them to broad market convention and market data for comparable companies on the ASX. The review advised that the Group's approach to total fixed remuneration, consisting of salary, statutory benefits and short-term incentive, were sound, represented good practice and were broadly in-line with market. It was recommended that the Group place more emphasis on long-term incentives to further align shareholder and executive interests. It was also recommended that share performance rights were the preferred instrument to be used for future LTI grants. The revised remuneration plan, based on KPMG's advice will be implemented in 2019. KPMG was paid $37,925 for the remuneration recommendations in respect of reviewing the amounts and elements of remuneration.

Current employee share incentive plans

Windlab adopted a new employee share Option plan (New ESOP) and new share performance rights plan (New PRP) immediately prior to the Company's IPO in August 2017, intended to foster an ownership culture in Windlab and to motivate senior management, staff and Directors to create shareholder value by achieving performance targets of Windlab or their respective business units.

The rules of the New ESOP and New PRP are summarised in the following paragraphs.

(a) Options may be granted under the New ESOP and performance rights may be granted under the New PRP to any person who is, or is proposed to be, a full-time or part-time employee, a non-executive director, a contractor (40% full-time equivalent (FTE)) or a casual employee (40% FTE) of Windlab or any of its associated bodies corporate, and whom the Directors determine to be an eligible person for the purposes of participation in the New ESOP or New PRP (referred to as an eligible person).

(b) An Option may not be granted under the New ESOP and Performance Rights cannot be granted under the New PRP if, immediately following its grant, the shares to be received on exercise of the option or performance right, when:

  (i) aggregated with the number of shares which would be issued if each unvested option granted under the New ESOP and performance right granted under the New PRP awarded in the last three (3) years were to vest and be exercised exceeds 5% of the total number of issued shares at the time of grant, but excluding offers under section 708 of the Corporations Act and offers under a disclosure document; or

  (ii) aggregated with the number of shares which would be issued if each unvested option granted under the New ESOP and Performance Right granted under the New PRP (or any other employee incentive scheme of Windlab) exceeds 10% of the total number of issued shares at the time of grant.

(c) Each option and performance right entitles the participant to receive one ordinary share in Windlab Limited.

(d) Options and performance rights issued under the new Employee Share Incentive Plans may be exercised on a cashless basis. Where a participant exercises options on a cashless basis, the exercise price will be set off against the number of shares which the participant is entitled to receive on the exercise of options. By exercising on a cashless basis, the participant will receive shares to the value of the surplus after the exercise price has been set off, such that the participant will only be issued that number of shares as are equal to the difference between the exercise price otherwise payable and the then market value of the shares (determined as the volume weighted average price of shares over the 5 trading days prior to exercise).

(e) An option or performance right does not confer any rights to participate in a new issue of shares by Windlab.

(f) If Windlab makes a bonus issue of securities to holders of shares, the rights of a holder in respect of an option or performance right will be modified such that the participant will receive one share plus such additional securities which the participant would have received, had the participant exercised the option or performance right immediately before the record date for that bonus issue as the holder of the share.

(g) If Windlab's issued capital is reorganised (including consolidation, subdivision, reduction, or return), then the number of options and performance rights, the exercise price or both or any other terms will be reorganised in a manner determined by the Board which complies with the Listing Rules.

(h) An unvested option or performance right lapses upon the first to occur of the following:

  (i) its expiry date;

  (ii) any applicable performance condition not being satisfied prior to the end of any prescribed performance period;

  (iii) a transfer or purported transfer of the option or performance right in breach of the rules;

  (iv) 30 days following the day the participant ceases to be employed or engaged by Windlab or an associated body corporate by resigning voluntarily and not recommencing employment with Windlab or an associated body corporate before the expiration of that 30 days;

  (v) 30 days following the day the participant ceases to be employed or engaged by Windlab or an associated body corporate by reason of his or her death, disability or bona fide redundancy, or any other reason with the approval of the Board and the participant has not recommenced employment with Windlab or an associated body corporate before the expiration of those 30 days, however the Board has the discretion to deem all or any of the Options or Performance Rights to have vested; or

  (vi) termination of the participant's employment or engagement with Windlab or an associated body corporate on the basis the participant acted fraudulently, dishonestly, in breach of the participant's obligations or otherwise for cause.

(i) A vested but unexercised option or performance right lapses upon the first to occur of the following:

  (i) its expiry date;

  (ii) a transfer or purported transfer of the option or performance right in breach of the rules; or

  (iii) termination of the participant's employment or engagement with Windlab or an associated body corporate on the basis the participant acted fraudulently, dishonestly, in breach of the participant's obligations or otherwise for cause.

(j) Subject to the Listing Rules and the law, the Board may at any time by resolution, amend or add to the rules of the New ESOP or New PRP. However, the consent of a participant is required for any change to the rules which prejudicially affects the rights of the participant in relation to the option or performance rights that have already been granted.

No performance rights were issued in 2018. Details of options granted are disclosed below.

Pre-IPO employee share option plan

Windlab granted a number of options to staff and directors prior to the IPO under a previously existing ESOP (Old ESOP). The rules of the Old ESOP are summarised in the following paragraphs.

(a) The Remuneration Committee determined the officers, consultants and employees who were entitled to participate in the Old ESOP.

(b) Options granted under the Old ESOP will expire on any of the following events:

  (i) its expiry date determined by the Remuneration Committee (usually seven years after grant);

  (ii) the eligible employee ceasing to be an employee of the Group (other than because of death, disability or retirement) and the options having not already vested, and in the case of vested options, such options expire 3 months after the date of ceasing to be an employee; and

  (iii) death, disability or retirement – in such event options typically expire three years after such date.

(c) The Old ESOP provided the Remuneration Committee with the ability to determine the exercise price of the options (such price not to be less than the fair market value of a share at the time of issue, and in the case of any person who holds more than 10% of Windlab's shares, not less than 110% of such fair market value), the periods within which the options may be exercised and any performance conditions to be satisfied before the option can be exercised.

(d) All unvested options vested upon Listing – however the options remain subject to a restriction on exercise for a period until the earlier of:

  (i) 6 months after the expiry of any Escrow Arrangements; or

  (ii) expiry of the option.

(e) The Old ESOP provides for adjustments if there is a capital reconstruction or a bonus issue.

(f) The total number of ordinary shares which may be put under option by the Company under the Old ESOP must not exceed 10% of the total number of shares on issue, from time to time.

No further options have been or will be issued under the Old ESOP post June 2017.

Details of Remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables. The key management personnel of the Group consisted of the following Directors of Windlab Limited:

Roger Price – Chairman and CEO
Pippa Downes – Non-Executive Director
Joseph O'Brien – Non-Executive Director
Charles Macek – Non-Executive Director
John Cooper – Non-Executive Director

And the following person:
Rob Fisher – Chief Financial & Operating Officer and Company Secretary

The 2018 table below represents remuneration paid by the Group consisting of Windlab Limited and its subsidiaries for the entire financial year ended 31 December 2018.

Executive KMP remuneration

		Short-term benefits				Post-employment	Long-term benefits	Share-based payments				
		Salary & fees	Cash bonus	Non-monetary	Other	Superannuation	Long service leave	Share options	Shares	Termination payments	Total remuneration	Performance related
		$	$	$	$	$	$	$	$	$	$	%
R. Price	**2018**	**356,808**	**47,006**	**–**	**–**	**6,000**	**2,711**	**107,456**	**–**	**–**	**519,981**	**29.7%**
	2017	325,701	275,600	–	–	24,000	6,031	97,504	–	–	728,836	51.2%
R. Fisher	**2018**	**256,078**	**28,050**	**–**	**–**	**23,047**	**755**	**78,714**	**–**	**–**	**386,644**	**27.6%**
	2017	249,895	132,600	–	–	22,490	6,875	82,868	–	–	494,728	43.6%
Total executive	**2018**	**612,886**	**75,056**	**–**	**–**	**29,047**	**3,466**	**186,170**	**–**	**–**	**906,625**	**–**
KMP	2017	575,596	408,200	–	–	46,490	12,906	180,372	–	–	1,223,564	–

Service Agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. A summary of these agreements is shown below:

Roger Price – Executive Chairman

Roger Price is employed by the Company in the position of Executive Chairman and Chief Executive Officer. Mr. Price receives a fixed remuneration package $364,344 including mandatory superannuation contributions. As part of his overall annual remuneration package, Mr. Price is eligible to receive an annual short-term incentive (STI) of up to 65% of his fixed remuneration package for the fiscal year, subject to achieving the annual targets against Company's key performance indicators and personal objectives as agreed with the Board for that year. For overachievement of annual targets, it will be at the Board discretion to determine any additional STI payment.

In 2018 Mr. Price earned an STI of $47,006, equating to 20% of the possible awarded bonus. 80% was forfeited. The STI payment was calculated against the achievement of personal objectives set by the Board at the beginning of the financial year. No STI payment was made against the achievement of corporate revenue and EBITDA targets set by the Board at the beginning of the financial year.

Mr. Price is also eligible to participate in the Company's LTI Plan. During the year Mr Price received option grants as detailed below. 250,000 options over ordinary shares were granted in April 2018 under the terms and conditions of the current share incentive plan detailed above. 25% of these options vest 12 months after grant. The balance vest 1/36th per month thereafter. There are no other performance requirements related to the vesting of options. The strike price of these options is the volume weighted average sale price of shares sold on ASX during the 5 business days up to an including the grant date, or such other period as determined by the Board.

Under the terms of Mr. Price's employment contract, the Company has the right to terminate Mr. Price's employment by giving 6 months written notice. Mr. Price can also resign from his employment on 6 months written notice. In either case, the Company can also elect in its discretion to make a payment in lieu of that notice to Mr. Price or to place Mr. Price on garden leave for all or part of that notice period.

After termination of employment, the employment contract provides that Mr. Price will be subject to non-competition, non-solicitation of client and non-poaching of employees' restrictions, within Australia and for a maximum period of 12 months.

Mr. Price's employment contract acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which relates to Windlab's actual or anticipated business, research and development, which are conceived, developed or made by him while employed are the property of Windlab.

Rob Fisher – Chief Financial and Operating Officer

Rob Fisher is employed by the Company in the position of Chief Financial and Operating Officer. Mr. Fisher receives a fixed remuneration package $280,500 including mandatory superannuation contributions by the Company. As part of his overall remuneration package, Mr. Fisher is also eligible to receive an annual short term incentive (STI) up to 50% of his fixed remuneration package for the fiscal year, subject to achieving the annual targets against Company key performance indicators and personal objectives as agreed with the Board for that year. For over achievement of annual targets, it will be at the Board discretion to determine any additional STI payment.

In 2018 Mr. Fisher earned an STI of $28,050, equating 20% of the possible awarded bonus. 80% was forfeited. The STI payment was calculated against the achievement of personal objectives set by the Board at the beginning of the financial year. No STI payment was made against the achievement of corporate revenue and EBITDA targets set by the Board at the beginning of the financial year.

Mr. Fisher is also eligible to participate in the Company's Employee LTI Plan. During the year Mr. Fisher received option grants as detailed below. 180,000 options over ordinary shares were granted in May 2018 under the terms and conditions of the current share incentive plan detailed above. 25% of these options vest 12 months after grant. The balance vest 1/36th per month thereafter. There are no other performance requirements related to the vesting of options. The strike price of these options is the volume weighted average sale price of shares sold on ASX during the 5 business days up to an including the grant date, or such other period as determined by the Board.

Under the terms of Mr. Fisher's employment contract, the Company has the right to terminate Mr. Fisher's employment by giving 3 months written notice. Mr. Fisher can also resign from his employment on 3 months written notice. In either case, the Company can also elect in its discretion to make a payment in lieu of that notice to Mr. Fisher or to place Mr. Fisher on garden leave for all or part of that notice period.

After termination of employment, the employment contract provides that Mr. Fisher will be subject to non-competition, non-solicitation of clients, and non-poaching of employees' restrictions, within Australia and for a maximum period of 12 months.

Mr. Fisher's employment contract acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, and all similar or related information which relates to Windlab's actual or anticipated business, research and development, which are conceived, developed or made by him while employed are the property of Windlab.

Other Senior Management

All other senior management are employed under written terms of employment with the Group. The key terms and conditions of their employment include:

- remuneration packages;
- eligibility to participate in the STI and LTI Plans; and
- notice of termination of employment provisions, with the relevant notice period of up to 3 months; and for some of those executives, post-employment restrictions covering non-competition, non-solicitation of clients for a maximum duration of up to 12 months.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct, fraud or gross negligence.

Directors’ Report (continued)

NED Remuneration

NED Remuneration for the year ended 31 December 2018:

	Short-term benefits	Post-employment	Share Based Payments	
	Board and committee fees	Superannuation	Options	Total
	$	$	$	$
J. Cooper	73,059	6,941	–	80,000
P. Downes	73,059	6,941	–	80,000
C. Macek	59,361	5,639	–	65,000
J. O’Brien	59,361	5,639	–	65,000
Total	**264,840**	**25,160**	**–**	**290,000**

NED Remuneration for the year ended 31 December 2017:

	Short-term benefits	Post-employment	Share Based Payments	
	Board and committee fees	Superannuation	Options	Total
	$	$	$	$
J. Cooper	30,441	2,892	52,061	85,394
P. Downes	30,441	2,892	52,061	85,394
C. Macek	24,734	2,350	52,061	79,145
J. O’Brien	38,433	3,652	56,679	98,764
Total	**124,049**	**11,786**	**212,862**	**348,697**

Shareholdings of KMP

Options awarded, vested and lapsed during the year

The table below discloses the number of share options granted, vested or lapsed during the year.

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date. There are no performance requirements related to the vesting of options other than employment. The strike price of options granted during the year was the volume weighted average sale price of shares sold on ASX during the 5 business days up to and including the grant date, or such other period as determined by the Board. Accordingly, holders only receive reward on the basis that shareholder value is increased over time.

	Options awarded during the year	Award date	Fair value per option at award date	Vesting date	Exercise price	Expiry date	No. vested during year	No. lapsed during year	Value of options granted during the year
	Number		$		$				$
Executive Directors									
R. Price	250,000	12-Apr-18	0.644	12-Apr-18 to 12-Apr-22	1.650	12-Apr-23	–	–	161,050
Senior Management									
R. Fisher	180,000	17-May-18	0.599	17-May-18 to 17-May-22	1.535	30-Jun-23	–	–	107,892

No options were granted to Non-Executive Directors in 2018.

Options held over ordinary shares in Windlab Limited (number)

	Balance 1 January 2018	Granted	Exercised	Expired	Balance 31 December 2018
NED's					
J. Cooper	66,000	–	–	–	66,000
P. Downes	66,000	–	–	–	66,000
C. Macek	66,000	–	–	–	66,000
J. O'Brien	146,000	–	–	–	146,000
Executive directors					
R. Price	1,190,000	250,000	–	–	1,440,000
Senior executives					
R. Fisher	560,000	180,000	(80,000)	–	660,000
Total	**2,094,000**	**430,000**	**(80,000)**	**–**	**2,444,000**

Shareholdings of KMP

Ordinary Shares held in Windlab Limited (number)

	Balance 1 January 2018	On exercise of options	Net change other	Balance 31 December 2018
NED's				
J. Cooper	12,500	–	–	12,500
P. Downes	–	–	–	–
C. Macek	30,000	–	–	30,000
J. O'Brien	10,000	–	–	10,000
Executive directors				
R. Price	217,376	–	–	217,376
Senior executives				
R. Fisher	240,000	57,563	–	297,563
Total	**509,876**	**57,563**	**–**	**567,439**

Mr. Fisher exercised the options shown above with a strike price of $0.463. The options were net exercised on a cashless basis as allowed under the plan. These options had a fair value of $1.136 each, or $91,000.

Loans to Directors and Executives

Prior to the IPO, Windlab Limited offered certain option-holders an interest bearing, non-recourse loan in order to fund the exercise price of options for shares in Windlab Limited. The total value of loans outstanding at 31 December 2018 was $293,090, including loans to Mr. Fisher of $123,841.

This concludes the Remuneration Report, which has been audited.

Signed in accordance with a resolution of the directors.

Roger Price
Director

28 February 2019

Pippa Downes
Director

28 February 2019

Auditor’s Independence Declaration

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Auditor’s Independence Declaration

To the Directors of Windlab Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Windlab Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

S M Coulton
Partner – Audit & Assurance

Sydney, 28 February 2019

Financial Statements

For the year ended 31 December 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018	2017
		$	$
Revenue from contracts with customers	5(a)	3,488,576	23,136,394
Other income	5(b)	513,785	1,079,615
Share of profit from associate and joint venture	13	1,915,807	299,370
Project expenses	6(a)	(784,254)	(906,009)
Loss on loss of control of subsidiary	7	(3,837,533)	–
Employee expenses	6(b)	(5,465,906)	(5,208,059)
Administration expenses	6(b)	(2,505,421)	(2,876,359)
EBITDA		**(6,674,946)**	**15,524,952**
Depreciation and amortisation expenses	12	(136,445)	(148,645)
Finance costs	6(c)	(55,013)	(959,300)
(Loss)/profit before tax		**(6,866,404)**	**14,417,007**
Tax benefit/(expense)	8(a)	3,038,426	(4,912,534)
(Loss)/profit for the period		**(3,827,978)**	**9,504,473**
Other comprehensive income			
Items that may be reclassified subsequently to the profit or loss			
Exchange differences on translating foreign operations		(206,954)	(693,694)
Share of other comprehensive income of equity accounted investments	13	(145,857)	–
Other comprehensive (loss) for the period, net of tax		**(352,811)**	**(693,694)**
Total comprehensive (loss)/income for the period, net of tax		**(4,180,789)**	**8,810,779**
Total comprehensive (loss)/income for the period attributable to			
Owners of the parent		(4,285,107)	8,910,019
Non-controlling interest		104,318	(99,240)
		(4,180,789)	**8,810,779**

		2018	2017
		$	$
EARNINGS PER SHARE			
Basic earnings per share	29	(0.06)	0.32
Diluted earnings per share	29	(0.06)	0.30

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018	2017
		$	$
CURRENT ASSETS			
Cash and cash equivalents	9	4,682,414	14,230,978
Trade and other receivables	10	1,475,307	1,559,562
Inventory	11	5,022,779	6,987,513
Prepayments		736,251	506,948
TOTAL CURRENT ASSETS		**11,916,751**	**23,285,001**
NON-CURRENT ASSETS			
Property, plant and equipment	12	592,192	339,491
Investments accounted for using the equity method	13	43,297,177	43,638,003
Investments at fair value	13	522,372	522,372
Inventory	11	4,665,931	5,161,273
Prepayments		143,049	174,310
TOTAL NON-CURRENT ASSETS		**49,220,721**	**49,835,449**
TOTAL ASSETS		**61,137,472**	**73,120,450**
CURRENT LIABILITIES			
Trade and other payables	14	2,415,632	1,799,531
Interest bearing liabilities	15	607	2,785,729
Income tax payable	8	577,349	3,727,765
Contract liabilities	16	–	603,166
Employee benefit liabilities	17	822,794	1,083,839
TOTAL CURRENT LIABILITIES		**3,816,382**	**10,000,030**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	3,030,689	2,000,000
Deferred tax liability	8	3,735,441	3,963,093
Employee benefit liabilities	17	172,618	210,785
TOTAL NON-CURRENT LIABILITIES		**6,938,748**	**6,173,878**
TOTAL LIABILITIES		**10,755,130**	**16,173,908**
NET ASSETS		**50,382,342**	**56,946,542**
EQUITY			
Issued capital	18	53,703,322	53,493,393
Other components of equity	13	(145,857)	–
Accumulated (loss)/profit		(3,021,667)	2,030,816
Reserves	19	(208,177)	354,963
Capital and reserves attributable to owners of Windlab		50,327,621	55,879,172
Non-controlling interests	27	54,721	1,067,370
TOTAL EQUITY		**50,382,342**	**56,946,542**

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

	ATTRIBUTED TO THE EQUITY HOLDERS OF THE PARENT							
	Ordinary	Accumu-lated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Other Components of Equity	Total Attributable to Owners of Parent	Non-Controlling Interests (Note 27)	Total Equity
	$	$	$	$	$	$	$	$
As at 1 January 2018 (reported)	**53,493,393**	**2,030,816**	**655,387**	**(300,424)**	**–**	**55,879,172**	**1,067,370**	**56,946,542**
Initial adoption of AASB 15 (Note 4)	–	(1,522,979)	–	(301,361)	–	(1,824,340)	(1,116,967)	(2,941,307)
As at 1 January (restated)	**53,493,393**	**507,837**	**655,387**	**(601,785)**	**–**	**54,054,832**	**(49,597)**	**54,005,235**
(Loss) for the period	–	(3,816,436)	–	–	–	(3,816,846)	(11,542)	(3,827,978)
Exchange differences on translation of foreign operations	–	–	–	(322,814)	–	(322,814)	115,860	(206,954)
Other comprehensive income – Kiata Wind Farm hedge reserve (Note 13)	–	–	–	–	(145,857)	(145,857)	–	(145,857)
Total comprehensive income	**–**	**(3,816,436)**	**–**	**(322,814)**	**(145,857)**	**(4,285,107)**	**104,318**	**(4,180,789)**
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**	**(3,021,667)**	**716,422**	**(924,599)**	**(145,857)**	**50,327,621**	**54,721**	**50,382,342**

For the year ended 31 December 2017

	ATTRIBUTED TO THE EQUITY HOLDER OF THE PARENT								
	Ordinary	Series A Preference Shares	Warrants	Accumu-lated Profit/ (Losses)	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total Attributable to Owners of Parent	Non-Controlling Interests (Note 27)	Total Equity
	$	$	$	$	$	$	$	$	$
Balance at 1 January 2017	935,744	18,072,784	7,082	(7,484,359)	401,637	304,732	12,237,620	1,166,610	13,404,230
Profit for the period	–	–	–	9,515,175	–	–	9,515,175	(10,702)	9,504,473
Exchange differences on translation of foreign operations	–	–	–	–	–	(605,156)	(605,156)	(88,538)	(693,694)
Total comprehensive income	**–**	**–**	**–**	**9,515,175**	**–**	**(605,156)**	**8,910,019**	**(99,240)**	**8,810,779**
Share based payment charge	–	–	–	–	253,750	–	253,750		253,750
Exercise of employee options	138,500	–	–	–	–	–	138,500	–	138,500
Conversion of series A Preference shares	18,072,784	(18,072,784)	–	–	–	–	–	–	–
Conversion of insider notes	2,564,446	–	–	–	–	–	2,564,446	–	2,564,446
Conversion of insider interest	2,065,117	–	–	–	–	–	2,065,117	–	2,065,117
Conversion of convertible notes December 2016 and interest	6,081,614	–	–	–	–	–	6,081,614	–	6,081,614
Conversion of Warrants	7,082	–	(7,082)	–	–	–	–	–	–
Equity raising	25,000,000	–	–	–	–	–	25,000,000	–	25,000,000
Equity raising costs	(1,371,894)	–	–	–	–	–	(1,371,894)	–	(1,371,894)
Balance at 31 December 2017	**53,493,393**	**–**	**–**	**2,030,816**	**655,387**	**(300,424)**	**55,879,172**	**1,067,370**	**56,946,542**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018	2017
		$	$
OPERATING ACTIVITIES			
Receipts from customers		3,943,506	25,152,130
Payments to suppliers and employees		(9,586,738)	(10,048,373)
Payments for inventory		(3,390,278)	(2,483,490)
Interest received		63,639	75,194
Finance costs		(273,911)	(678,089)
Net cash (used in)/from operating activities	**9**	**(9,243,782)**	**12,017,372**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(375,188)	(204,571)
Proceeds from sale of property, plant and equipment		1,063	–
Security deposits		(110,673)	(3,554)
Acquisition of investment		–	(707)
Dividends from investment		63,021	–
Distributions from associate		2,047,755	–
Investments in associates		–	(29,978,253)
Net cash from/(used in) investing activities		**1,625,978**	**(30,187,085)**
FINANCING ACTIVITIES			
Proceeds from issue of share capital		42,580	25,139,207
Transaction costs on issue of shares		–	(1,371,897)
Repayments of borrowings		(1,945,203)	–
Net cash (used in)/from financing activities		**(1,902,623)**	**23,767,310**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(9,520,427)**	**5,597,597**
Cash and cash equivalents, beginning of period		14,230,978	8,593,153
Effects of foreign exchange differences on cash and cash equivalents		(28,137)	40,228
CASH AND CASH EQUIVALENTS, END OF PERIOD	**9**	**4,682,414**	**14,230,978**

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1 Corporate Information

The consolidated financial statements of Windlab Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 28 February 2019. 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 Securities 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 fifty projects. These projects are at various stages of development and represent an estimated total potential capacity of more than 7,000 MW. Nine of the projects, accounting for 914 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 will commence commercial operations in 2019. 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 four projects in Australia.

2 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Windlab Limited and its subsidiaries (the Group).

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 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised in Note 4.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss.

Any investment retained is recognised at fair value.

2.3 Investments

(i) Associates and joint arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Investments in associates and joint ventures are accounted for using the equity method.

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(ii) Investments in other entities

These investments are classified as equity instruments at fair value through other comprehensive income (FVTOCI) and held at fair value. Income from these investments arises as dividend revenue, when dividends are declared and receivable.

2 Summary of Significant Accounting Policies (continued)

2.4 Foreign Currency Translation

(i) Functional and presentation currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

(iii) Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Australian-Dollar ($AUD) are translated into $AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into $AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into $AUD at the closing rate. Income and expenses have been translated into $AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

2.5 Revenue

Revenue arises mainly from the sale of projects, sales of services for project development, construction and asset management, royalties and dividends.

To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with a customer.
- Identifying the performance obligations.
- Determining the transaction price.
- Allocating the transaction price to the performance obligations.
- Recognising revenue when/as performance obligation(s) are satisfied.

The Group enters into revenue transactions involving the sale of project entities, project assets and sale of services, for the project development, construction and asset management. In all cases, apart from the sale of project entities, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Project Revenue

Generally, revenue from the sale of project assets will be recognised when the performance obligations of the contract are met, except to the extent that variable elements of the transaction price cannot be recognised due to uncertainty of the future size or timing of those elements. These elements of the contract are usually resolved at or near financial close, once development approval is obtained and grid capacity is established.

Project asset sales transactions contain a range of different terms and conditions and each contract will be evaluated on an individual basis to properly capture the impact of those terms.

Where a partial sale of a project entity results in loss of control with a reduced shareholding, a gain on loss of control is recorded under AASB10 *Consolidated Financial Statements*. The gain recognised on loss of control of a project results in the recognition of a corresponding investment. The value of the gain and investment recognised is derived from the project valuation by the acquiring investor(s) including the percentage interest acquired. These gains are recognised as revenue on the basis that sale, or sell-down, of developed or partially developed wind farms is the principal element of the Group's business model and occurs in the ordinary course of business.

Asset Management Services Revenue

The Group provides asset management services to customers in exchange for a fixed monthly fee. Revenue is recognised on a straight-line basis over the term of each contract. As the amount of work required to be performed under these contracts does not vary significantly from month-to-month, the straight-line method provides a faithful depiction of the transfer of services.

Royalties

The Group has a right to receive royalties based on energy generation. Revenue from royalties is recognised at the point in time when the energy is generated.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

2.6 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants received in advance relating to capital costs are deferred and recognised in the profit and loss over the period necessary to match them with the costs that they are intended to compensate. Government grants received in arrears of the costs that they are intended to compensate are recognised in the profit and loss. Where grants relate to the purchase of specific assets, the grant is offset against the acquisition of the asset and reduces the depreciation of the assets over its life.

2.7 Income Tax

Current Income Tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

An R&D refundable tax credit is treated as government grant income whereas a non-refundable credit is treated as a tax offset.

2 Summary of Significant Accounting Policies (continued)

2.7 Income Tax (continued)

Deferred Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entities have a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Windlab Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

2.8 Goods and Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2.9 Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairments. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the straight line method over the estimated useful lives of the assets, as follows:

Wind monitoring equipment	3 – 10 years
Furniture, fittings and equipment	2 – 10 years
Leasehold improvements (or lease term if shorter)	3 – 7 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

2.10 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are 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 are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2.11 Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of 3 months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.12 Inventory

Wind farm developments projects are classified as inventory and are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, capitalised salaries, borrowing costs and holding costs incurred in acquiring and bringing the inventory to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Current inventory is defined as projects intended to be sold within the next 12 months. Non-current inventory is all other inventory not classified as current.

2.13 Borrowing Costs

Borrowing costs (net of interest income arising from unused elements of the borrowed funds) directly attributable to the acquisition or development of assets that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of these assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of any transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent it is probable that some or all of the facility will be drawn down.

Borrowings are removed from the Balance Sheet when the obligation in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2 Summary of Significant Accounting Policies (continued)

2.15 Provisions

(i) General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

(ii) Long service leave and annual leave

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2.16 Share-based Payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). Share-based compensation benefits are provided to employees via the employee share option plans ("ESOPs"). Information relating to these schemes is set out in Note 26.

The fair value of options granted under the ESOPs is recognised as an employee benefit expense with a corresponding increase in the Share Based Payment Reserve. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share value at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises the estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of profit or loss with a corresponding adjustment to equity.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 29).

2.17 Equity and Reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. Other components of equity include the foreign currency translation reserve which comprises foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into $AUD.

Retained earnings include all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

2.18 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Recognition and Derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Initial Measurement

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent Measurement

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through profit or loss (FVTPL).
- Debt instruments at fair value through other comprehensive income (FVTOCI).
- Equity instruments at FVTOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial Assets at Amortised Cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method.

The Group's trade and other receivables fall into this category of financial instruments.

Equity Instruments at Fair Value Through Other Comprehensive Income (Equity FVTOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVTOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital. Equity instruments designated at fair value through other comprehensive income are not subject to impairment assessment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

  Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2 Summary of Significant Accounting Policies (continued)

2.18 Financial Instruments (continued)

Financial Assets (continued)

Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date which is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Further disclosures relating to impairment of financial assets are also provided in Note 25.

Financial Liabilities

Classification and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

The Group's financial liabilities include loans and borrowings, trade and other payables.

For more information, refer to Note 25.

Subsequent Measurement

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Capitalisation of inventory

The Group determines that the project to which the costs belong must be probable of realising future economic benefits. The costs must add value to the project and therefore drive future economic benefits. The costs must also be directly attributable costs which are necessary to get the project ready for use. The costs must be incremental to costs which would otherwise already be incurred in the business.

(ii) Tax Losses

The Group has not recognised deferred tax assets relating to carried forward tax losses in some markets, except to the extent that deferred tax liabilities exist, as there is insufficient evidence that the asset will be recoverable. However, should suitable taxable profits arise in the future then the asset may be recovered.

3.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Capitalisation and recoverability of inventory

The Group assesses the capitalisation and recoverability of inventory items at each reporting date with reference to site capacity and market reference data.

(ii) Fair value gains recorded on loss of control of project interests

Where the Group loses control of a subsidiary, as a result of a third party acquiring a controlling interest, a gain is recognised in the result for the year based on the price paid by the third party, assuming no premium for control.

(iii) Impairment of investments accounted for using the equity method

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

(iv) Consideration on loss of control of subsidiary

Consideration resulting from loss of control of subsidiary is valued at fair value at the date which control is lost. In determining the fair value of consideration the following is taken into account:

- An estimate of future cash flows for the asset or liability being measured. This assessment is made by reference to the contract, project capacity and probability of those cash flows eventuating;
- Expectations about possible variations in the amount and timing of the cash flows representing the uncertainty inherent in the cash flows. The Group also considers history of previous projects, the timing and structure of contract milestones when assessing the amount and timing of cash flows;
- The time value of money. The risk free interest rate is determined with reference to assets that have maturity dates similar to the amount and timing of the consideration; and
- Other factors that market participants would take into account in the circumstances such as grid connection, environmental matters, various Government approvals and equity raising for the construction of the project.

3 Significant Accounting Judgements, Estimates and Assumptions (continued)

3.2 Estimates and Assumptions (continued)

(iv) Consideration on loss of control of subsidiary (continued)

As part of the accounting for the disposal of the equity interest in Greenwich Windpark LLC, the fair value of consideration was considered to be nil as the timing and magnitude of the consideration amounts would be difficult to determine until financial close is reached. The fair value of the consideration shall be remeasured at each reporting date and any changes in fair value shall be recognised in the profit or loss. Refer Note 7.

3.3 Fair Value Measurement of Financial Instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4 Changes in Accounting Policies and Disclosures

New Standards, Interpretations of Amendments Adopted by the Group

The Group has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* which became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised below:

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group has applied the new Standard as at 1 January 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The adoption of AASB 15 has mainly affected the treatment of project sales with success fee revenue.

Project sale transactions contain a range of different terms and conditions and each contract has been evaluated separately to properly capture the impact of those terms. Generally, revenue from projects will be recognised when the performance obligations of the contract are met, except to the extent that variable elements of the transaction price cannot be recognised due to uncertainty of the future amount or timing of those elements. In most cases this uncertainty is resolved as projects approach or reach financial close.

As at 1 January 2018 Windlab identified two incomplete contracts. In both cases a small fee was received in prior years, with a much larger success fee due on or around financial close. Both of these success fees are determined based on the ultimate size of a larger project of which Windlab's project forms part, and no success fee revenue was recognised under the previous revenue standard AASB 118 *Revenue* on the basis that Windlab retained "risks and rewards of ownership" which also led to both projects being carried on the balance sheet as inventory at 31 December 2017.

Under AASB 15 *Revenue from Contracts with Customers*, these success fees are variable elements of the transaction price (derived from the ultimate capacity of the project in combination with nearby projects owned by the customer) and cannot be recognised due to uncertainty of the future size or timing of those elements. From the Group's experience, this uncertainty is resolved at or around financial close, once development approval is obtained and grid capacity is established. As neither of these two projects had finalised grid capacity at 1 January 2018, the success fee revenue under AASB 15 cannot be recognised.

Based on the requirements of AASB15, it was determined that control of the assets has passed to the customer prior to 1 January 2018 and therefore in accordance with AASB15 the carrying value of both projects would have been recognised as a cost of sale in prior years and has been adjusted through opening retained earnings in accordance with the modified retrospective approach. The total adjustment to the opening balance of retained earnings, the foreign currency translation reserve and non-controlling interests arising from the initial application of AASB 15 was $2,941,307 for these two projects.

The following table summarises the impact of initial application of AABS15 on retained earnings, non-controlling interests and foreign currency translation reserve at 1 January 2018.

	Impact of adopting AASB 15 at 1 January 2018
Retained earnings	
Non-current inventories	(1,522,979)
Non-controlling interests	
Non-current inventories	(1,116,967)
Foreign currency translation reserve	
Non-current inventories	(301,361)
Impact at 1 January 2018	(2,941,307)

The table below highlights the impact of AASB 15 on the Group's statement of financial position for year ending 31 December 2018.

Statement of Financial Position (Extract) 31 December 2018	Amounts under AASBs 118 & 111	Adjustments	Amounts under AASB 15
Non-Current Assets			
Inventories	7,607,238	(2,941,307)	4,665,931
Total Assets	**64,078,779**	**(2,941,307)**	**61,137,472**
Equity			
Non-controlling interests	1,171,688	(1,116,967)	54,721
Foreign currency translation reserve	(623,238)	(301,361)	(924,599)
Retained earnings/(accumulated losses)	(1,498,688)	(1,522,979)	(3,021,667)

The adoption of AASB 15 did not have an impact on the Group's statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended 31 December 2018 because there were no transactions for which the accounting treatment differed under the revised accounting policy.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of AASB 9 has not materially impacted the Group, as:

- receivables and liabilities will still continue to be measured at amortised cost;
- investments at fair value, will still continue to be measured at fair value through OCI; and
- financial liabilities have not been designated as at fair value through profit or loss.

There are no changes in classification and measurement for the Group's financial asset and liabilities and therefore no adjustment has been recognised in retained earnings.

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets by replacing AASB 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. This affects the Group's trade receivables. For contract assets arising from AASB 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

5 Revenue and Other Income

(a) Contracts with Customers

The effect of initially applying AASB15 on Group's revenue from contracts with customers is described in Note 4.

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 the sale of project entities, project assets and sale of services, construction and asset management services.

	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
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**

	For the year ended December 2017				
	Asset Management Fees	Royalties	Consulting Income	Project Sales	Total
	$	$	$	$	$
Geographical Markets					
Australia	2,331,367	–	224,433	15,712,234	18,268,034
Africa	–	482,426	–	3,970,400	4,452,826
North America	–	–	–	415,534	415,534
Total revenue from contracts with customers	**2,331,367**	**482,426**	**224,433**	**20,098,168**	**23,136,394**
Timing of revenue recognition					
Goods transferred at a point in time	–	–	–	20,098,168	20,098,168
Services transferred over time	2,331,367	482,426	224,433	–	3,038,226
	2,331,367	**482,426**	**224,433**	**20,098,168**	**23,136,394**

The following table provides information about receivables from contracts with customers.

	Note	2018 $		2017 $	
		Receivables which have included Asset Management Fees	Royalties	Receivables which have included Asset Management Fees	Royalties
Trade and other receivables	10	171,154	490,663	114,107	457,802

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

(b) Other income

	2018	2017
	$	$
Dividends	63,021	57,799
Research and Development tax incentive[1]	324,871	729,444
Other grant revenue	7,306	118,840
Interest revenue	61,415	81,887
Gain on disposal of fixed asset	501	–
Other	56,671	91,645
	513,785	**1,079,615**

1. The Research and Development tax incentive is a refundable offset for the period 1 July to 31 December 2018, and offset against tax payable in the year to 30 June 2018. In 2017 it was refundable for the entire year.

6 Expenses

	2018	2017
Project expenses	$	$
(a) Direct costs		
Project expenses	784,254	906,009
(b) General and administration expenses		
Employee expenses		
Salary and wages	4,553,088	4,612,207
Superannuation	397,502	342,102
Share based payments	515,316	253,750
Total employee expenses	**5,465,906**	**5,208,059**
Administration expenses		
Office and administration	2,190,728	1,848,946
Initial Public Offer expenses[1]	–	681,840
Rental expense relating to operating leases	302,794	247,598
Foreign exchange loss	11,899	88,872
Loss on disposal of fixed asset	–	9,103
Total administration expenses	**2,505,421**	**2,876,359**
Total general and administration expenses	**7,971,327**	**8,084,418**

1. A further $681,840 of IPO costs were capitalised against equity as required under AASB 132 in 2017.

(c) Finance costs

Interest expenses	342,484	1,043,201
Other finance costs	119,597	124,362
Capitalised finance costs	(407,068)	(208,263)
	55,013	**959,300**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

7 Loss of Control over a Subsidiary during the Reporting Period

On 22 August 2018, the Group disposed of its 100% equity interest Greenwich Windpark LLC, which was held indirectly via Windlab Developments USA Inc.

	2018
	$
The consideration received or receivable:	
Cash	338,890
Total disposal consideration	338,890
Carrying amount of net assets sold	(4,810,081)
Foreign exchange reserve reversal	666,660
Additional costs associated with the transaction	(33,002)
Loss on sale before income tax	(3,837,533)
Income tax benefit on loss[1]	–
Loss on sale after income tax	**(3,837,533)**

1. Tax benefit is not recognised until taxable income is generated in the US

As specified in the sale agreement, there is further consideration due after the project has reached financial close which consists of a base payment of US$80,000/MW and profit share which is subject to final project economics. The fair value of this consideration as at 31 December has been assessed as nil as there is inherent uncertainty in the timing and amount of this contingent consideration. The fair value of the contingent consideration will be remeasured at each reporting date and any changes in fair value will be recognised in the profit or loss.

At the date of disposal, the carrying amounts of Greenwich Windpark LLC net assets were as follows:

	22 August 2018
Inventories	4,810,081
Total Assets	**4,810,081**
Total Liabilities	**–**
Net Assets	**4,810,081**

The loss on disposal is included in the loss for the year and is disclosed in consolidated statement of profit or loss.

8 Income Tax

	2018	2017
	$	$
(a) The components of tax expense comprise:		
Current tax (benefit)/expense	(2,805,411)	3,727,765
(Increase)/Decrease in deferred tax asset	(112,895)	668,058
(Decrease)/Increase in deferred tax liability	(120,120)	516,711
Tax expense per profit and loss	**(3,038,426)**	**4,912,534**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/profit from continuing operations before income tax expense	(6,866,404)	14,417,007
Tax at the Australian tax rate of 27.5% (2017: 30%)	(1,888,261)	4,325,102
Tax effect of amounts which are not deductible/(taxable) for tax:		
Other non-assessable income/non-deductible items	316,625	276,391
Share-based payments	141,672	76,125
	(1,429,964)	4,677,618
Intercompany loan write-off	(1,296,918)	–
Tax losses not recognised due to not meeting the probable criteria	656,562	262,502
Difference in overseas tax rate	(49,111)	(27,586)
Prior year losses not previously brought to account utilised this year	(589,998)	–
Change in company tax rate	(328,997)	–
Income tax expense	**(3,038,426)**	**4,912,534**
(c) Tax losses and timing differences		
Unused tax losses for which no deferred tax assets has been recognised	8,257,311	9,014,838
Potential tax benefit	2,239,419	3,104,341
Timing differences for which no deferred tax assets have been recognised	–	–
Potential tax benefit	**–**	**–**

A deferred tax asset relating to temporary differences arising as a result of the translation of the loans to subsidiaries has not been recognised. The asset may be recovered if suitable taxable profits were to arise in foreseeable future.

(d) Income Tax Payable

Income tax payable	**577,349**	**3,727,765**

8 Income Tax (continued)

(e) Deferred tax asset

Movements	Accrued bonus $	Provisions $	Accrued expense $	Deferred revenue $	Impairment of inter-company loan $	Carried forward losses $	Total $
At 1 January 2017	**166,678**	**133,041**	**49,662**	**–**	**–**	**3,238,992**	**3,588,373**
(Charged)/credited to the profit and loss statement	28,989	36,970	6,639	49,878	1,515,115	(2,327,315)	(689,724)
Derecognition of carried forward losses	–	–	–	–	–	21,666	21,666
Foreign exchange movement	20,110	6,005	11,182	(726)	–	(155,264)	(118,693)
At 31 December 2017	**215,777**	**176,016**	**67,483**	**49,152**	**1,515,115**	**778,079**	**2,801,622**
(Charged)/credited to the profit and loss statement	(116,959)	33,469	12,673	(34,293)	–	376,241	271,131
Change in tax rate	(16,431)	(12,291)	(3,254)	–	(126,260)	–	(158,236)
Foreign exchange movement	352	1,236	199	2,190	–	62,959	66,936
At 31 December 2018	**82,739**	**198,430**	**77,101**	**17,049**	**1,388,855**	**1,217,279**	**2,981,453**

	2018 $	2017 $
The balance comprises temporary differences attributable to:		
Accrued bonus	82,739	215,777
Provisions	198,430	176,016
Accrued expenses	77,101	67,483
Deferred revenue	17,049	49,152
Impairment of loan	1,388,855	1,515,115
Carried forward tax losses	1,217,279	778,079
Total deferred tax assets	2,981,453	2,801,622
Set-off of deferred tax liabilities pursuant to set-off provisions. (Note 8(f))	(2,981,453)	(2,801,622)
Net deferred tax assets	**–**	**–**

(f) Deferred tax liability

Movements	Capitalised costs $	Prepayments $	Interest receivable $	Investments $	Total $
At 1 January 2017	**(1,409,634)**	**(10,542)**	**(1,017,325)**	**(3,879,981)**	**(6,317,482)**
(Charged)/credited to the profit or loss statement	(243,023)	5,307	(241,091)	(37,904)	(516,711)
Foreign exchange movement	71,161	(1,682)	(1)	–	69,478
At 31 December 2017	**(1,581,496)**	**(6,917)**	**(1,258,417)**	**(3,917,885)**	**(6,764,715)**
(Charged)/credited to the profit or loss statement	(299,026)	1,805	(163,620)	93,728	(367,113)
Change in tax rate	53,775	2,100	104,868	326,490	487,233
Foreign exchange movement	(72,453)	(9)	163	–	(72,299)
At 31 December 2018	**(1,899,200)**	**(3,021)**	**(1,317,006)**	**(3,497,667)**	**(6,716,894)**

Deferred tax liability	2018 $	2017 $
The balance comprises temporary differences attributable to:		
Capitalised costs	(1,899,200)	(1,581,496)
Prepayments	(3,021)	(6,917)
Interest receivable	(1,317,006)	(1,258,417)
Fair value gains on loss of control of investments	(3,497,667)	(3,917,885)
Total deferred tax liability	(6,716,894)	(6,764,715)
Set-off of deferred tax assets pursuant to set-off provisions (Note 8(e))	2,981,453	2,801,622
Net deferred tax liability	**(3,735,441)**	**(3,963,093)**
Deferred tax liability to be settled within 12 months	–	–
Deferred tax liability to be settled after more than 12 months	(3,735,441)	(3,963,093)
	(3,735,441)	**(3,963,093)**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

9 Cash and Cash Equivalents

	2018	2017
	$	$
Cash at bank and in hand	4,630,714	14,121,308
Short-term bank deposits	51,700	109,670
	4,682,414	**14,230,978**

The effective interest rate on short-term bank deposits was 0.65% (2017: 0.72%). These deposits are available on demand.

Reconciliation of cash flow from operations with profit after income tax

	2018	2017
	$	$
(Loss)/Profit after income tax	(3,827,978)	9,504,473
Non-cash		
Depreciation	136,756	147,913
Amortisation of financial costs	–	115,378
Share of Profit from associates	(1,915,807)	(299,370)
Share based payments	515,316	253,750
Gain/Loss on sale of fixed assets	(508)	–
Loss on loss of control of subsidiary	4,143,421	–
Foreign exchange differences	(12,713)	(3,162)
Change in assets and liabilities		
Decrease in trade debtors	4,918	76,957
Increase in prepayments	(190,443)	(522,607)
(Decrease)/increase in tax balances	(3,383,431)	4,886,248
Decrease/(increase) in other assets	752,624	(591,212)
Increase in inventory	(5,358,042)	(2,389,970)
Increase in trade payables and accruals	(423,921)	341,058
Increase in accrued interest	190,769	373,298
Increase in provisions	125,257	124,618
Cash flow (used in)/from operating activities	**(9,243,782)**	**12,017,372**

10 Trade and Other Receivables

	2018	2017
	$	$
Current		
Trade receivables	32,069	37,908
Other receivables	886,901	780,555
Research & Development tax incentive	324,872	614,128
GST/VAT receivable	231,465	126,971
	1,475,307	**1,559,562**

There were no credit losses of trade receivables in 2018 and 2017.

11 Inventory

	2018	2017
	$	$
Current		
Inventory – at cost	5,022,779	6,987,513
Non-Current		
Inventory – at cost	4,665,931	5,161,273
Total inventory	**9,688,710**	**12,148,786**
Current inventory		
Carrying amount at 1 January	6,987,513	5,301,816
Additions during the year	3,690,240	682,646
Transfer (to)/from non-current inventory	(1,338,934)	1,405,443
Disposal of subsidiary	(4,810,081)	–
Interest capitalised	266,854	–
Exchange differences	227,187	(402,392)
Carrying amount at 31 December	**5,022,779**	**6,987,513**
Non-current inventory		
Carrying amount 1 January	5,161,273	5,103,114
Initial adoption of AASB15	(2,941,307)	–
Additions during the year	807,035	1,486,653
Transfer from/(to) current inventory	1,338,934	(1,405,443)
Interest capitalised	140,214	208,263
Exchange differences	159,782	(231,314)
Carrying amount 31 December	**4,665,931**	**5,161,273**

The interest capitalisation rate for 2018 was 8.26% (2017: 10.93%)

During 2018 Windlab executed a share sale agreement for the sale of the Greenwich Wind Park (Greenwich), a US project. This transaction resulted in the disposal of inventory of $4,810,081, which forms part of the loss of control of a subsidiary. Refer to Note 7.

No impairment was recorded during 2018 and no inventory was disposed or impaired during 2017.

The initial adoption of AASB15: *Revenue from Contracts with Customers* resulted in $2,941,307 of inventory being adjusted to equity. Refer to Note 4.

Inventory relating to projects in South Africa was written down to nil in 2016. The South African Government's Renewable Energy Independent Power Producers Procurement Program (REIPPPP) has experienced significant delays. These delays create material uncertainty about the likely timing of realisation of the Group's remaining South African projects, despite medium term market fundamentals supporting the projects' value. So long as this uncertainty persists the Company believes it is prudent to write down all South African projects ($4,401,020). The Company will revisit this approach at each future balance date.

12 Property, Plant and Equipment

	2018	2017
	$	$
Plant and equipment		
At cost	4,116,391	3,677,047
Accumulated depreciation	(3,524,199)	(3,337,556)
Total property, plant and equipment	**592,192**	**339,491**

Plant and equipment principally comprises wind monitoring equipment such as masts and SODARs, as well as office equipment.

Movements in carrying amounts

Movement in the carrying amounts for property, plant and equipment between the beginning and the end of the current financial year are shown below:

	2018	2017
	$	$
Carrying amount at 1 January	**339,491**	**304,312**
Additions	379,454	205,062
Disposals	(556)	–
Depreciation expense	(136,445)	(148,645)
Exchange differences	10,248	(21,238)
Carrying amount at 31 December	**592,192**	**339,491**

13 Investments

	2018	2017
Accounted for using equity method	$	$
Investment in joint venture	32,822,545	32,049,386
Investment in associate	10,474,632	11,588,617
At fair value		
Investment through OCI	522,372	522,372
Total investments	**43,819,549**	**44,160,375**

Investment in joint venture

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 2018	31 December 2017
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:

	2018	2017
	$	$
Balance Sheet		
Current assets[1]	26,091,315	47,257,389
Non-current assets[2]	138,357,753	31,352,403
Total assets	**164,449,068**	**78,609,792**
Current liabilities[3]	101,166,119	403,583
Non-current liabilities[4]	637,860	17,107,437
Total liabilities	**101,803,979**	**17,511,020**

1. includes cash and cash equivalents of $21,348,270 (2017: $17,558,944), other receivables $4,307,451 (2017: $29,677,850) and prepayments $435,594 (2017: $20,595).
2. includes property, plant and equipment of $138,357,753 (2017: $31,327,555) and deferred tax assets of $nil (2017: $24,848).
3. includes trade and other payables of $17,137,348 (2017: $403,583) and short term loans of $84,028,771 (2017: $nil).
4. includes deferred income of $nil (2017: $9,758,440), long term loan of $nil (2017: $7,348,997) and deferred tax liabilities of $637,860 (2017: $nil).

	2018	2017
	$	$
Profit/(Loss) after tax		
Other income	3,778,517	46,370
Interest expenses	(124,413)	(46,378)
Operating expenses	(1,292,057)	–
Corporate and administration expenses	(91,397)	–
Depreciation and amortisation	(61,624)	(36,946)
Profit/(loss) before tax	2,209,026	(36,954)
Income tax (expense)/benefit	(662,708)	24,848
Profit/(loss) after tax	1,546,318	(12,106)

Investment in joint venture

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

	2018	2017
	$	$
Total net assets of Kennedy Energy Park	62,645,089	61,098,772
Proportion of ownership interest held by Group	50%	50%
Share of profit/(loss) in joint venture	773,159	(6,053)
Proportion of net assets held in Kennedy Energy Park	31,322,545	30,549,386
Fair value gain on loss of control	1,500,000	1,500,000
Carrying value of interest in Kennedy Energy Park	**32,822,545**	**32,049,386**

During 2018, Kennedy Energy Park was under construction. No dividends were received from Kennedy Energy Park during 2018 or 2017. Kennedy Energy Park is a Private Company; therefore no quoted market prices are available for its shares.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

13 Investments (continued)

Investment in associate – Kiata Wind Farm

The Group has a 25% (2017: 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 $1,142,648 (2017: $305,408).

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

	2018	2017
	$	$
Opening investment in Kiata Wind Farm Holdings Pty Limited	11,588,617	11,283,209
Proportion of ownership interest held by Group	25%	25%
Share of distributions from associate	(2,110,776)	–
Share of other comprehensive income	(145,857)	–
Share of profit in associate	1,142,648	305,408
Carrying value of interest in Kiata Wind Farm	**10,474,632**	**11,588,617**
Current assets	5,691,251	13,687,403
Non-current assets	73,785,562	69,065,082
Current liabilities	5,451,929	47,937,366
Non-current liabilities	44,617,604	1,024,376
Revenue	15,848,611	1,802,792
Net Profit after tax	4,570,592	1,221,626
Other comprehensive income	(521,503)	(979,884)
Total comprehensive profit	4,049,089	241,742

Investment at fair value through OCI – Coonooer Bridge Wind Farm

During 2018 $63,021 (2017, $57,799) in distributions from Coonooer Bridge Wind Farm were recorded as dividend revenue by the Group.

14 Trade and Other Payables

	2018	2017
	$	$
Current – unsecured liabilities		
Trade payables	1,555,470	239,009
GST/VAT payable	74,562	653,796
Accrued expenses	553,383	571,337
Other current liabilities	232,217	335,389
	2,415,632	**1,799,531**

15 Interest Bearing Liabilities

	2018	2017
	$	$
Current – secured liabilities		
Senior debt – CEFC	607	2,785,729
	607	**2,785,729**
Non-current – secured liabilities		
Senior debt – CEFC	3,030,689	2,000,000
	3,030,689	**2,000,000**

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 December 2018 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 providing up to $6M in debt funding, maturing on 31 March 2019. The available commitment has reduced over time as the loan has been repaid to the current level. Under the amended corporate debt facility the maturity date has been extended until 30 June 2020 and subject to certain conditions may be repaid periodically from 30 September 2019 or at maturity. The facility has also been amended to provide Windlab with the ability to pay dividends or take similar capital actions at some point in the future, so long as the Company retains a cash balance sufficient to cover any outstanding debt balance.

Interest on the senior debt facility accrues with a cash interest rate of 7.25% (due quarterly) and a deferred interest rate of 2.4%, to be paid on maturity.

The facility is secured by a fixed and floating charge over the assets of Windlab Limited, as well as specific security over key assets and contracts within the Australian and North American business.

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.

16 Contract Liabilities – Deferred Revenue

	2018	2017
	$	$
At 1 January	603,166	656,072
Deferred during the year	–	640,340
Released to the statement of profit or loss	(603,166)	(693,246)
At 31 December	**–**	**603,166**

The 2017 deferred revenue relates to asset management fees and the extension of a development purchase option.

The contract liabilities primarily relate to the advance consideration received from the customers for the asset management services during the construction of the project, for which revenue is recognised over time. At 31 December 2018, there was no amount to be recorded for the contract liabilities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

17 Employee Benefit Liabilities

	2018	2017
	$	$
Current		
Annual leave	419,456	354,391
Long service leave	109,786	11,358
Bonus provision	293,552	718,090
	822,794	**1,083,839**
Non-current		
Long service leave	172,618	210,785
	172,618	**210,785**

Analysis of employee benefit liabilities

	Annual leave	Long service leave	Bonuses	Total
	$	$	$	$
At 1 January	354,391	222,143	718,090	1,294,624
Charged to the P&L	425,435	60,261	250,366	736,062
Utilised	(360,370)	–	(674,904)	(1,035,274)
At 31 December	**419,456**	**282,404**	**293,552**	**995,412**

18 Issued Capital

	2018	2017	2018	2017
	$	$	Number	Number
Ordinary shares				
At the beginning of reporting period	53,493,393	935,744	67,209,092	1,978,854
Exercise of employee options	209,929	138,500	414,310	217,000
Conversion of Series A Preference Shares holders	–	18,072,784	–	5,731,016
Issued to Series A Preference Shares holders	–	–	–	3,983,599
Conversion to ordinary shares				
Conversion of insider notes	–	2,564,446	–	320,600
Conversion of insider interest	–	2,065,117	–	258,179
Conversion of Pre IPO Convertible Notes	–	6,081,614	–	950,370
Conversion of Warrants	–	7,082	–	235,153
Share Split	–	–	–	41,024,321
Share issued to employees	–	–	–	10,000
Shares issued in IPO	–	25,000,000	–	12,500,000
Equity raising costs	–	(1,371,894)	–	–
	53,703,322	**53,493,393**	**67,623,402**	**67,209,092**

Ordinary Shares

The holders of ordinary shares are entitled to participate in dividends as declared from time to time, and the proceeds on winding up of the Company. On a show of hands at meetings of the Company each holder of ordinary shares has one vote in the person or by proxy, and upon a poll each share is entitled to one vote.

	2018	2017	2018	2017
	$	$	Number	Number
Series A Preference Shares				
At the beginning of the reporting period	–	18,072,784	–	5,731,016
Cancellation of shares on conversion to Ordinary shares	–	(18,072,784)	–	(5,731,016)
	–	–	–	–

	2018	2017	2018	2017
	$	$	Number	Number
Warrants				
At the beginning of the report period	–	7,082	1,410,668	1,114,446
Conversion to ordinary shares	–	(7,082)	–	(761,779)
Warrant Split	–	–	–	1,058,001
	–	–	**1,410,668**	**1,410,668**

All Series A Preference and "in-the-money" Warrants were converted to ordinary shares immediately prior to the IPO. "At-the-money" warrants persist on their original terms, but split 4:1 in line with the Company's ordinary shares.

Capital Management

Capital of the Group is managed in order to safeguard the ability of the Group to continue as a going concern, to provide returns for Shareholders, benefits for other stakeholders and to maintain an optional capital structure. The Group monitors capital through the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is defined as equity per the consolidated statement of financial position plus net debt.

There are externally imposed capital requirements by the Senior Debt provider.

Warrants

Number of Warrants (each Warrant is exercisable into one ordinary share)	Exercise price of Warrants	Expiry date of Warrants
300,000	$2.00	4 May 2020
256,484	$2.00	30 June 2020
854,184	$2.00	1 April 2021

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

19 Reserves

	2018	2017
	$	$
Reserves		
Share based payment reserve	716,422	655,387
Foreign currency translation reserve	(924,599)	(300,424)
	(208,177)	**354,963**
Movements:		
Share based payment reserve		
At 1 January	655,387	401,637
Transfer of expired options to retained earnings	(286,932)	–
Transfer of exercised options to share capital	(167,349)	–
Employee share plan expense	515,316	253,750
At 31 December	**716,422**	**655,387**
Foreign currency translation reserve		
At 1 January	(300,424)	304,732
Initial adoption of AASB 15	(301,361)	–
Foreign exchange reserve transferred to profit and loss	(666,660)	–
Exchange differences on translation of foreign operations	343,846	(605,156)
At 31 December	**(924,599)**	**(300,424)**

20 Parent Entity Financial Information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018	2017
	$	$
Balance sheet		
Current assets	5,533,610	15,507,863
Total assets	44,957,701	51,442,990
Current liabilities	(1,799,091)	(5,175,503)
Total liabilities	(7,957,085)	(12,888,860)
Equity		
Issued capital	53,703,322	53,493,393
Accumulated losses	(17,419,128)	(15,594,650)
Share based payment reserve	716,422	655,387
Total equity	**37,000,616**	**38,554,130**
Profit for the year	(1,824,478)	3,570,510
Total comprehensive profit	(1,824,478)	3,570,510

$5,198,810 of the intercompany loan to Windlab Developments USA was forgiven by Windlab Limited during the year of which $3,950,000 was impaired in the prior year and $1,248,810 was impaired during 2018. In 2017 an impairment of intercompany loans was recorded for $3,986,610, relating to the wind up of Windlab Developments Canada.

(b) Contingent liabilities and assets of the parent entity

The parent has no contingent liabilities or assets.

21 Contingencies and Commitments

Operating lease commitments

Future minimum rentals payable under non-cancellable operating lease as at 31 December are as follows:

	2018	2017
	$	$
Payable – minimum lease payments		
Not later than one year	355,886	340,474
After one year and five years	354,175	587,464
	710,061	**927,938**

The property leases are non-cancellable leases with rent payable monthly in advance. Lease payments are increased on an annual basis at a fixed rate, except the head office lease which increased by 4% per annum. One property lease has the option to renew the current lease for a further period of two years upon the same terms and conditions.

Motor vehicle leases are non-cancellable leases with fixed amounts payable monthly in advance within 36-60 months terms.

Contingent Liabilities

There were no contingent liabilities as at 31 December 2018.

22 Events After the Reporting Date

There were no events subsequent to the end of the financial year which require adjustment or disclosure.

Significant events after the balance date

Windlab has successfully entered in to an equity raising process and selected a development partner for Windlab's East African portfolio in February 2019. This portfolio consists initially of 16 potential wind farms, including Miombo Hewani and Meru spanning Zambia, Tanzania, Kenya, Ethiopia and smaller surrounding countries and are owned by a subsidiary called Windlab Africa (Pty) Ltd. Windlab secured US$10M from Eurus Energy Holding Corporation of Japan in return for a 25% equity interest in Windlab Africa. The transaction was executed after balance date and is expected to close in March, subject to statutory filings and approvals. Proceeds from this equity raise will be used to accelerate the development of the portfolio in East Africa.

Future developments and expected results

Based on increasing demand for renewable generation capacity in the Group's key markets, there is expected to be further opportunity for the development of renewable energy generation projects and asset management services in these markets. The Group is continuing to develop renewable energy projects in Australia, Africa and North America, and to pursue asset management opportunities in Australia and South Africa. Given that these activities are currently in progress and are competitive in nature, the Group has not disclosed further details about the possible impact on the Group's business strategy and future prospects.

Environmental regulations and performance

The consolidated Group's operations are subject to environmental regulations, in particular relating to wind monitoring and wind farm project development. To respond to environmental regulatory risks, the consolidated Group requires that environmental risks associated with its activities are managed via legal registers, risk assessment protocols and environmental management plans.

The Directors are not aware of any material non-compliance issues during the period covered by this Report.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

23 Related Party Transactions

(a) Subsidiaries

Interests in subsidiaries are set out below.

Controlled entities	Country of incorporation	Principal activity	Percentage owned	
Subsidiaries of Windlab Limited:			**2018**	**2017**
Windlab Asset Management Pty Ltd (Incorporated April 2015)	Australia	Asset manager	100	100
Windlab Developments Pty Ltd (Incorporated December 2008)	Australia	Wind farm development	100	100
Windlab Project 01022 Pty Ltd ^^ (Incorporated December 2009)	Australia	Wind farm development	100	100
Kennedy Wind Farm Holdings Pty Ltd ^^ (Incorporated April 2015)	Australia	Holding company	100	100
Kennedy Wind Farm Pty Ltd^^ (Incorporated May 2018)	Australia	Wind farm development	100	–
Lakeland Wind Farm Holdings Pty Ltd^^ (Incorporated April 2017)	Australia	Holding company	100	100
Lakeland Wind Farm Pty Ltd ^^ (Incorporated April 2017)	Australia	Wind farm development	100	100
Wind South Africa (Pty) Ltd ^	South Africa	Wind farm development	100	100
Windlab Developments South Africa Pty Ltd (Incorporated August 2008)	South Africa	Wind farm development	100	100
Windlab Developments South Africa Pty Ltd (Incorporated August 2008)	South Africa	Wind farm development	100	100
Amakhala Emoyeni RE Holdings (Pty) Ltd ^	South Africa	Holding company	100	100
Amakhala Emoyeni Renewable Energy (Pty) Ltd ^	South Africa	Wind farm development	100	100
Emoyeni Wind Energy (Pty) Ltd ^	South Africa	Wind farm development	100	100
Emoyeni Wind Farm Project (Pty) Ltd ^	South Africa	Holding company	100	100
Emoyeni Wind Farm Renewable Energy (Pty) Ltd ^	South Africa	Wind farm development	100	100
Emoyeni Wind Farm South Africa Pty Ltd ^	South Africa	Wind farm development	100	100
Emoyeni Wind (Pty) Ltd ^	South Africa	Wind farm development	100	100
Special Wind Project (Pty) Ltd ^	South Africa	Wind farm development	100	100
Special Energy Project (Pty) Ltd ^	South Africa	Wind farm development	100	100
Wind South Africa (Pty) Ltd	South Africa	Wind farm development	100	100
Windlab Africa (Pty) Ltd (Incorporated April 2016)	South Africa	Holding company	100	100
Windlab Developments Tanzania Limited** (Incorporated September 2014)	Tanzania	Wind farm development	100	100
Windlab Tanzania SPV1 Limited*** (Incorporated August 2015)	Tanzania	Wind farm development	100	100
Windlab Developments Kenya Limited** (Incorporated July 2017)	Kenya	Wind farm development	100	100
Windlab Developments USA Inc (Incorporated January 2008)	USA	Wind farm development	100	100
Verdigre Wind LLC *	USA	Holding company	100	100
Verdigre Land and Wind Partners LLC *	USA	Wind farm development	51	51

Controlled entities	Country of incorporation	Principal activity	Percentage owned	
Subsidiaries of Windlab Limited:			**2018**	**2017**
Greenwich Wind Park LLC * (Sale of ownership rights 22 August 2018)	USA	Wind farm development	–	100
Star City Wind Park LLC *	USA	Wind farm development	100	100
Big Plains Wind LLC *	USA	Wind farm development	100	100
Heartstrong Wind LLC *	USA	Wind farm development	100	100

^^ Interest held indirectly via Windlab Developments Pty Limited

* Interest held indirectly via Windlab Developments USA Inc.

^ Interest held indirectly via Windlab Developments South Africa Pty Ltd

*** Interest held indirectly via Windlab Developments Tanzania Limited

** Interest held indirectly via Windlab Africa (Pty) Ltd

(b) Other investments

Interests in joint arrangements, associates and investments are set out below:

Controlled entities	Country of incorporation	Principal activity	Percentage owned	
Subsidiaries of Windlab Limited:			**2018**	**2017**
Coonooer Bridge Wind Farm Pty Ltd (Incorporated October 2012)	Australia	Wind farm operations	3.5	3.5
CBWF Holdings Pty Limited (Incorporated August 2014)	Australia	Holding company	3.5	3.5
Kennedy Energy Park Holdings Pty Ltd (Incorporated September 2017)	Australia	Holding company	50	50
Kennedy Energy Park Pty Limited (Incorporated August 2014)	Australia	Energy park operations	50	50
Kiata Wind Farm Holdings Pty Ltd (Incorporated August 2016)	Australia	Holding company	25	25
Kiata Wind Farm Pty Ltd (Incorporated August 2016)	Australia	Wind farm operations	25	25

The above investment interests are held indirectly via Windlab Developments Pty Ltd

(c) Key management personnel compensation

	Short-term benefits	Other long-term benefits	Post-employment benefits	Share based payments	Total
	$	$	$	$	$
2018					
Total compensation	952,782	3,466	54,207	186,170	1,196,625
2017					
Total compensation	1,107,845	12,906	58,276	393,234	1,572,261

All directors of the parent entity are paid by Group Entities for services provided as a director. Number of key management personnel in Group: six (2017: eight).

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

23 Related Party Transactions (continued)

(d) Transactions with related parties

	2018	2017
	$	$
Other transactions		
Management fees charged to joint venture, associate and investment	1,186,796	912,779

24 Auditor's Remuneration

During the year, the following fees were paid or payable for services provided by the auditors of the parent entity, and other entities within the consolidated group:

	2018	2017
	$	$
(i) Audit Services		
Grant Thornton Australia	214,275	177,028
Grant Thornton South Africa	7,751	32,152
(ii) IPO Investigating Accountant		
Grant Thornton Corporate Finance	–	169,000
Grant Thornton Australia – Taxation	–	19,000
(iii) Other Services		
Grant Thornton Corporate Finance	29,929	–
Grant Thornton Australia – Taxation	36,000	–

Grant Thornton also provided tax, audit and financial model review services to Lakeland Wind Farm, Kiata Wind Farm, Coonooer Bridge Wind Farm and Kennedy Energy Park SPVs.

25 Financial Risk Management

Overview

The Group's principal financial instruments comprise receivables, payables, loans, cash and short-term deposits.

The Group has exposure to the following risks from its use of financial instruments:

- interest rate risk;
- currency risk;
- credit risk; and
- liquidity risk.

Different methods are used by the Group to measure and manage different types of risks to which it is exposed. These include:

- monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange;
- ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk; and
- monitoring levels of liquidity risk through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Board. The overall objective is to support the delivery of the Group's financial targets whilst protecting future financial security.

The policies for managing each of these risks is summarised below.

Risk Exposures and Responses

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market interest rates relates primarily to the Group's cash, short term deposits and interest bearing loans.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	2018	2017
	$	$
Financial Assets		
Cash and cash equivalents	4,682,414	14,230,978
Financial Liabilities		
Interest bearing liabilities	3,031,296	4,785,729

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, interest rates and the mix of products.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 31 December 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre tax profit would have been affected as follows:

	Effect on Profit before Tax Higher/(Lower)	
	2018	2017
	$	$
Consolidated		
+0.05% (5 basis points)	826	4,723
-0.05% (5 basis points)	(826)	(4,723)

The analysis is performed on the same basis for 2017. The movements in profit are due to lower variable rate cash balances. Interest bearing liabilities all bear fixed rates of interest. The sensitivity is lower in 2018 than in 2017 due to a decrease in cash holdings and foreign currency holdings at 31 December 2018 to that held in 2017.

Reasonably possible movements in interest rates used in the interest rate sensitivity analysis were based on forecast interest rate movements sourced from financial institutions.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD). The currencies in which these transactions are primarily denominated are USD, ZAR, CAD, TZS, and KES.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates to address short-term imbalances.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

25 Financial Risk Management (continued)

Risk Exposures and Responses (continued)

Currency risk (continued)

At 31 December 2018, the Group had the following exposure to foreign currency, denominated in the respective currencies:

	As at 31 December 2018					As at 31 December 2017				
	2018					2017				
	CAD	USD	ZAR	TZS	KES	CAD	USD	ZAR	TZS	KES
Financial Assets										
Cash and cash equivalents	51	63,039	652,930	1,000,000	10,000	51	66,313	3,057,575	1,000,000	10,000
Trade and other receivables	–	131,827	5,237,298	12,498,352	452,444	–	74,256	5,209,985	13,077,885	10,900
	51	194,866	5,890,228	13,498,352	462,444	51	140,569	8,267,560	14,077,885	20,900
Financial Liabilities										
Trade and other payables	–	51,717	2,185,300	15,926,303	1,415,454	–	76,392	830,824	–	–
	–	51,717	2,185,300	15,926,303	1,415,454	–	76,392	830,824	–	–
Net exposure	**51**	**143,149**	**3,704,928**	**(2,427,951)**	**(953,010)**	**51**	**64,177**	**7,436,736**	**14,077,885**	**20,900**

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

At 31 December 2018, had the Australian dollar moved 10%, with all other variables held constant, pre tax profit and equity would have been affected as follows:

	Effect on Profit before Tax Higher/(Lower)	
	2018	2017
	$	$
Judgements of reasonably possible movements		
Increase in foreign exchange rate by 10% (2017: 15%)	55,336	129,137
Decrease in foreign exchange rate by 10% (2017: 15%)	(55,336)	(129,137)

The movements in profit/(loss) in 2018 is lower than that in 2017 due a decrease in the level of foreign currency cash and cash equivalents and an increase in trade and other payables from 2017 to 2018.

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of historical movements and forecast exchange rate movements sourced from financial institutions.
- The reasonably possible movement was calculated by taking the foreign currency spot rate as at balance date, moving this spot rate by the reasonably possible movements and then re-converting the foreign currency into AUD with the new spot rate.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The credit risk is managed on a group basis. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Financial Instruments and cash deposits

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions. In addition, the group does not hold collateral relating to other financial assets (eg derivative assets, cash and cash equivalents held with banks).

Trade and other receivables

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date which is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to secure its trade and other receivables. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group considers trade receivables to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a trade receivables to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts. Trade receivables is written off when there is no reasonable expectation of recovering the contractual cash flows.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the payment profile for sales over the past 48 months before 31 December 2018 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

			Trade receivables			
31 December 2018			Past due days			
	Current	**< 30 Days**	**30-60 days**	**61-90 days**	**> 91 days**	**Total**
Expected credit loss rate	0%	0%	0%	0%	0%	–
	$	$	$	$	$	$
Gross carrying amount	–	31,064	1,005	–	–	32,069
Life time expected credit loss	–	–	–	–	–	–

			Trade receivables			
31 December 2017			Past due days			
	Current	**< 30 Days**	**30-60 days**	**61-90 days**	**> 91 days**	**Total**
Expected credit loss rate	0%	0%	0%	0%	0%	–
	$	$	$	$	$	$
Gross carrying amount	–	2,326	11,585	23,255	742	37,908
Life time expected credit loss	–	–	–	–	–	–

25 Financial Risk Management (continued)

Risk Exposures and Responses (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Windlab management manages its assets and liabilities with liquidity in mind, and monitors future cash flows and liquidity. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

Maturity analysis of financial assets and liabilities based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. These assets and liabilities are considered in the Group's overall liquidity risk. Windlab management monitor's existing financial assets and liabilities to enable an effective controlling of future risks, and the following table reflects expectations of management of expected settlement of financial assets and liabilities.

As at 31 December 2018	Less than 6 months	6 to 12 months	1 to 2 years	Total Contractual Cash Flow	Carrying Amount
	$	$	$	$	$
Financial Assets					
Cash & cash equivalents	4,682,414	–	–	4,682,414	4,682,414
Trade receivables and other receivables	1,150,436	324,871	–	1,475,307	1,475,307
Total	5,832,850	324,871	–	6,157,721	6,157,721
Financial Liabilities					
Trade & other payables	2,415,632	–	–	2,415,632	2,415,632
Interest bearing loans & borrowings	110,142	113,277	3,276,522	3,499,941	3,031,296
Total	2,525,774	113,277	3,276,522	5,915,573	5,446,928
Net maturity	3,307,076	211,594	(3,276,522)	(242,148)	710,793

As at 31 December 2017	Less than 6 months	6 to 12 months	1 to 2 years	Total Contractual Cash Flow	Carrying Amount
	$	$	$	$	$
Financial Assets					
Cash & cash equivalents	14,230,978	–	–	14,230,978	14,230,978
Trade receivables and other receivables	1,559,562	–	–	1,559,562	1,559,562
Total	15,790,540	–	–	15,790,540	15,790,540
Financial Liabilities					
Trade & other payables	1,796,283	3,248	–	1,799,531	1,799,531
Interest bearing loans & borrowings	1,838,067	1,083,494	2,396,257	5,317,818	4,785,729
Total	3,634,350	1,086,742	2,396,257	7,117,349	6,585,260
Net maturity	12,156,190	(1,086,742)	(2,396,257)	8,673,191	9,205,280

The Group monitors forecasts of liquidity reserves on the basis of expected cash flow so that positive liquidity coverage is maintained.

Fair value

The aggregate fair values of financial assets and liabilities approximate their book values.

26 Share-Based Payments

Pre IPO Employee Share Option Plan

The Pre-IPO Employee Share Plan was established prior to the Company's listing in August 2017. Options issued under the plan remain outstanding but no further options may be issued after 30 June 2017. Under the plan, participants were granted options which only vest if certain conditions are met. Participation in the plan was at the Board's discretion and no individual had a contractual right to participate in the plan or to receive any guaranteed benefits.

The options vest in the following instalments:

- Twenty five percent (25%) of the options vest one calendar year after the grant date; and
- The remainder of the options vest on or after the end of each month pro rata over the subsequent 36 months.

For the non-executive directors, earlier vesting periods may have been agreed. The options may not be exercised to any extent after the expiration date.

Current expiration dates range from 30 June 2018 to 30 June 2021. Options were granted under the plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is determined by the Board on the grant date.

Fair value of these options were determined at grant date by incorporated all factors that knowledgeable and willing market participants would consider in setting the fair value. The fair value recognised each reporting period over the vesting period represents employee services in consideration for the equity instruments to be received in the future.

Prior to the IPO, a number of Options granted under the current ESOP were exercised by the holders. Windlab lent the consideration for exercise of the options to holders on the following terms:

- the loans will be for a maximum of 3 years;
- interest is payable on the loans at a rate equivalent to the benchmark interest rate published by the Australian Taxation Office; and
- the loans will be on a limited recourse basis.

In preparation for the IPO it was determined that a one-for-four share split should be implemented. This also resulted in an adjustment to the number of options on issue and their respective strike prices. Each option was replaced with four options each while the strike price of the new options was divided by four. This resulted in the equivalent value of options being retained on an aggregate basis for each option holder. This did not result in a change in share based payment expenses being recorded and the existing options will continue on the original profile while the employee remains in employment prior to exercise/expiry.

The fair values of options granted were determined using a Black-Scholes model that takes into account factors specific to the ESOPs, such as the vesting period. The following key assumptions were used in the valuation for the year ended 31 December 2017:

	Pre-IPO ESOP
Grant Date	21/2/2017
Share Price at date of Grant (note: estimated pre-IPO)	$0.44
Volatility	35%
Interest Rate	5%
Dividend Yield	0%

The underlying volatility was determined by reference to historical data of the Company's share price from the date of listing to 31 December 2017.

26 Share-Based Payments (continued)

Share options issued under pre IPO ESOP

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
1/05/2012 – 18/02/2014	30/06/2018	0.465	542,000	–	(542,000)	–	–	–
8/07/2014 – 17/03/2015	30/06/2019	0.50	720,000	–	–	–	720,000	720,000
01/04/2016	30/06/2021	0.50	542,000	–	–	–	542,000	542,000
21/02/2017	30/06/2023	0.50	80,000	–	–	–	80,000	80,000
28/04/2017	30/06/2022	0.75	648,000	–	–	–	648,000	648,000
			2,532,000	**–**	**(542,000)**	**–**	**1,990,000**	**1,990,000**

Post IPO Employee Share Option Plan

Windlab has adopted a new employee share Option plan (ESOP) and new share performance rights plan (PRP). The rules of the New ESOP and New PRP are summarised as following:

- Options and Performance Rights may be granted to a full-time or part-time employee, a non-executive director, a contractor (40% full-time equivalent (FTE)) or a casual employee (40% FTE) of Windlab or any of its associated bodies corporate.
- Options are not granted if the shares to be received under the grant exceed either:
  - 5% of the total number of issued Shares at the time of grant, but excluding offers under section 708 of the Corporations Act and offers under a disclosure document; or
  - 10% of the total number of issued Shares at the time of grant.
- Each option entitles the participant to receive one ordinary share in Windlab and may be exercised on a cashless basis.
- An Option or Performance Right does not confer any rights to participate in a new issue of Shares by Windlab.
- An unvested Option or performance right lapses upon the first to occur of the following:
  - its expiry date;
  - any applicable performance condition not being satisfied prior to the end of any prescribed performance period;
  - a transfer or purported transfer of the option or performance right in breach of the rules;
  - 30 days following the day the participant ceases to be employed or engaged by Windlab or an associated body corporate by resigning voluntarily and not recommencing employment with Windlab or an associated body corporate before the expiration of that 30 days;
  - 30 days following the day the participant ceases to be employed or engaged by Windlab or an associated body corporate by reason of his or her death, disability or bona fide redundancy, or any other reason with the approval of the board and the participant has not recommenced employment with Windlab or an associated body corporate before the expiration of those 30 days, however the board has the discretion to deem all or any of the options or performance rights to have vested; or
  - termination of the participant's employment or engagement with Windlab or an associated body corporate on the basis the participant acted fraudulently, dishonestly, in breach of the participant's obligations or otherwise for cause.

- A vested but unexercised option or performance right lapses upon the first to occur of the following:
  - » its expiry date;
  - » a transfer or purported transfer of the option or performance right in breach of the rules;
  - » if Windlab's issued capital is reorganised (including consolidation, subdivision, reduction, or return), then the number of options and performance rights, the exercise price or both or any other terms will be reorganised in a manner determined by the board which complies with the Listing Rules; or
  - » Options and performance rights are not transferable otherwise than by transmission to a legal personal representative on the death of the participant or to the participant's trustee in bankruptcy on the bankruptcy of the participant.

No performance rights were granted under the performance rights plan at 31 December 2018 or 31 December 2017.

As at 31 December 2018 and 31 December 2017 none of these options were vested, exercised or lapsed.

On completion of the Windlab Limited Initial Public Offering in 2017, the Windlab Board issued additional shares valued at $1,000 (500 shares each) as a "share gift" to certain non-KMP employees for no consideration. In aggregate 10,000 shares were issued. There are no service conditions associated with this grant, but the sale of these shares is subject to the existing Group share trading policy. A share based payment expense of $10,000 was recorded for the year ended 31 December 2017 in relation to this grant.

The fair values of options granted were determined using a Black-Scholes model that takes into account factors specific to the ESOPs, such as the vesting period. The following key assumptions were used in the valuation for the years ended 31 December 2018 and 31 December 2017:

	Post-IPO ESOP	Post-IPO ESOP
	2018	**2017**
Weighted average share price ($)	1.47	2.00
Volatility	33%	35%
Interest Rate	5%	5%
Dividend Yield	0%	0%

The underlying volatility was determined by reference to historical data of the Company's share price.

Share options issued under post IPO ESOP

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at end of the year
		$	Number	Number	Number	Number	Number
23/08/2017	1/12/2022	2.00	1,954,000	–	(50,000)	1,904,000	476,000
12/04/2018	12/04/2023	1.65	–	250,000	–	250,000	–
17/05/2018	30/06/2023	1.54	–	670,000	–	670,000	–
			1,954,000	**920,000**	**(50,000)**	**2,824,000**	**476,000**

27 Non-Controlling Interest

Windlab holds an investment in a special purpose vehicle (Verdigre Land and Wind Partners LLC) (VLWP). Windlab has the ability to appoint three of the five directors of VLWP and thereby controls VLWP. Per Note 2.2 VLWP is therefore 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 2018 of US$16,580 (2017: profit of US$17,041).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

28 Operating Segments Information

The Windlab Group is organised into business units based on three geographical regions being Australia, Africa and North America in which it develops projects, as well as a separate business unit for asset management. 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 as well as gross and net margins generated, and measures used are in compliance with 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.

31 December 2018	Asset Management	Developments			Total Segments	Other	Total
	Australia $	Australia $	Africa $	USA $	$	$	$
Revenue							
External customers	2,953,901	–	346,974	130,201	3,431,076	57,500	3,488,576
Other revenue	17,568	63,050	47,845	1,089	129,552	384,233	513,785
Share of profit from associate and joint venture	–	1,915,807	–	–	1,915,807	–	1,915,807
Total revenue	2,971,469	1,978,857	394,819	131,290	5,476,435	441,733	5,918,168
Expenses							
Depreciation & Amortisation	(13,984)	(33,136)	(57,204)	(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)	(1,145,881)	(650,827)	(5,593,410)	(13,683)	(5,607,093)
Loss on loss of control of subsidiary	–	–	–	(4,504,193)	(4,504,193)	666,660	(3,837,533)
Employee Benefits Expense	(1,971,122)	(3,015)	(582,781)	(141,303)	(2,698,221)	(2,767,685)	(5,465,906)
Finance Costs	(3,956)	–	–	–	(3,956)	(51,057)	(55,013)
Other Expenses	(335,451)	(53,374)	(413,350)	(82,123)	(884,298)	(1,609,202)	(2,493,500)
Foreign Exchange	–	390	–	–	390	(12,311)	(11,921)
Segment Profit/(Loss) before tax	610,009	1,676,908	(1,145,374)	(4,630,936)	(3,489,393)	(3,377,011)	(6,866,404)
Total Assets	**449,760**	**51,330,664**	**1,483,677**	**2,163,309**	**55,427,410**	**5,710,062**	**61,137,472**
Total Liabilities	**188,940**	**1,269,237**	**369,334**	**65,145**	**1,892,656**	**8,862,474**	**10,755,130**
Other disclosures							
Investments in an associate and a joint venture	–	43,297,177	–	–	43,297,177	–	43,297,177
Non-Current Asset expenditure including development costs	16,087	2,849,944	307,346	1,815,987	4,989,364	51,756	5,041,120

31 December 2017	Asset Management	Developments			Total Segments	Other	Total
	Australia $	Australia $	Africa $	USA $	$	$	$
Revenue							
External customers	2,331,367	15,906,666	1,673,547	415,534	20,327,114	2,809,280	23,136,394
Other revenue	13,688	130,958	129,073	792	274,511	805,104	1,079,615
Share of profit from associate and joint venture	–	299,370	–	–	299,370	–	299,370
Total revenue	2,345,055	16,336,994	1,802,620	416,326	20,900,995	3,614,384	24,515,379
Expenses							
Depreciation & Amortisation	(11,107)	(19,084)	(92,918)	(3,685)	(126,794)	(21,851)	(148,645)
Movements in Inventories	–	1,548,227	137,131	695,800	2,381,158	13,117	2,394,275
Project costs	(46,279)	(1,762,378)	(675,767)	(737,090)	(3,221,514)	(78,770)	(3,300,284)
Employee Benefits Expense	(1,463,486)	–	(624,452)	(75,599)	(2,163,537)	(3,044,522)	(5,208,059)
Finance Costs	–	–	–	–	–	(959,300)	(959,300)
Other Expenses	(345,585)	(29,020)	(333,442)	(109,250)	(817,297)	(1,970,190)	(2,787,487)
Foreign Exchange	–	542	–	–	542	(89,414)	(88,872)
Segment Profit/(Loss) before tax	478,598	16,075,281	213,172	186,502	16,953,553	(2,536,546)	14,417,007
Total Assets	**232,566**	**47,913,661**	**784,696**	**9,709,863**	**58,640,786**	**14,479,664**	**73,120,450**
Total Liabilities	**653,051**	**878,036**	**252,925**	**241,116**	**2,025,128**	**14,148,780**	**16,173,908**
Other disclosures							
Investments in an associate and a joint venture	–	43,638,003	–	–	43,638,003	–	43,638,003
Non-Current Asset expenditure including development costs	101,467	2,282,223	287,424	2,828,559	5,499,673	54,354	5,554,027

Inter-segment revenues are eliminated upon consolidation and reflected in the ‘Other’ column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

28 Operating Segments Information (continued)

	2018	2017
	$	$
Reconciliation of assets		
Segment profit	**(3,489,393)**	**16,953,553**
Corporate	(2,757,570)	(4,750,340)
Elimination of inter segmental	(619,441)	2,213,794
Profit before tax	**(6,866,404)**	**14,417,007**
Reconciliation of assets		
Segment operating assets	**55,427,410**	**58,640,786**
Corporate	5,805,201	15,659,971
Elimination of inter segmental	(95,139)	(1,180,307)
Total assets	**61,137,472**	**73,120,450**
Reconciliation of liabilities		
Segment operating liabilities	**1,892,658**	**2,025,128**
Interest bearing liabilities	3,031,296	4,785,729
Other corporate liabilities	1,518,416	1,672,193
Income tax payable	577,349	3,727,765
Deferred tax liabilities	3,735,411	3,963,093
Total liabilities	**10,755,130**	**16,173,908**

Adjustments and eliminations

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis. Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries. Inter-segment revenues are eliminated on consolidation.

Geographical Information

	2018	2017
	$	$
Revenue from external customers		
Australia	3,011,401	21,047,313
Africa	346,974	1,673,547
North America	130,201	415,534
	3,488,576	**23,136,394**

The revenue information above is based on the locations of the customers.

	2018	2017
	$	$
Non-current operating assets		
Australia	46,214,964	46,076,045
Africa	307,346	287,424
North America	1,815,987	2,828,559
	48,338,297	**49,192,028**

Non-current assets for this purpose consist of property, plant and equipment, investments and inventory.

29 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:

	2018	2017
	$	$
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings per share	(3,816,436)	9,515,175

No adjustment to profit was necessary in 2018 and 2017.

	2018	2017
	Number	Number
Weighted average number of ordinary shares for basic EPS	67,371,562	29,930,751
Share options	–	1,735,605
Weighted average number of ordinary shares adjusted for the effect of dilution	**67,371,562**	**31,666,356**

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 statements.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

30 New Accounting Standards

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant:

Standard Name	Effective date for the Group	Requirements	Impact
AASB 16: *Leases*	1 January 2019	AASB16 requires lessees to account for all leases under a single line item on the balance sheet in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	The Company has evaluated the potential impact of AASB16 on its consolidated financial statements with respect to its current lease arrangements. Windlab has elected on application the standard that the cumulative effects will be applied by an adjustment of retained earnings with no restatement of comparatives presented. On adoption of the standard at 1 January 2019, the impact on the statement of financial position would be to recognise right of use assets of $315,983, a corresponding liability for $369,072 and a decrease in retained earnings of $53,089. The impact on the profit and loss and other comprehensive income in the 2019 financial year would be to reduce property and motor vehicle expenses and increase depreciation and finance costs.
AASB 2017-6: *Amendments to Australian Accounting Standards– Prepayment Features with Negative Compensation*	1 January 2019	This Standard amends AASB 9 *Financial Instruments* to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss. The Standard also clarifies in the Basis for Conclusion that, under AASB 9, gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognised in profit or loss.	This is not applicable to the Group at this point in time. However, when such a transaction arises, the Group will undertake a detailed assessment.
AASB 2017-7: *Amendments to Australian Accounting Standards– Long-term Interests in Associates and Joint Ventures*	1 January 2019	This Standard amends AASB 128 *Investments in Associates and Joint Ventures* to clarify that an entity is required to account for long term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 *Financial Instruments* before applying the loss allocation and impairment requirements in AASB 128.	These amendments do not have any impact on the Group.

Standard Name	Effective date for the Group	Requirements	Impact
AASB 2018-1: *Annual Improvements to IFRS Standards 2015-2017 Cycle*	1 January 2019	The minor amendments clarify certain requirements in: ◆ AASB3 *Business Combinations* and AASB11 *Joint Arrangements* – previously held interest in a joint operation; ◆ AASB112 *Income Taxes* – income tax consequences of payments on financial instruments classified as equity; and ◆ AASB123 *Borrowing Costs* – borrowing costs eligible for capitalisation.	These amendments do not have any impact on the Group.
AASB Interpretation 23: *Uncertainty over Income Tax Treatments,* and relevant standards	1 January 2019	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: ◆ Whether an entity considers uncertain tax treatments separately; ◆ The assumptions an entity makes about the examination of tax treatments by taxation authorities; ◆ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and ◆ How an entity considers changes in facts and circumstances.	These amendments do not have material impact on the Group.
AASB 2018-6: *Amendments to Australian Accounting Standards – Definition of a Business*	1 January 2020	AASB 2018-6 amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments: ◆ clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; ◆ remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; ◆ add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; ◆ narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and ◆ add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.	The entity has not yet assessed the full impact of this Standard.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

30 New Accounting Standards (continued)

Standard Name	Effective date for the Group	Requirements	Impact
AASB 2018-7: *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020	AASB 2018-7 principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across the Australian Accounting Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.	These amendments do not have any material impact on the Group.
AASB 2014-10: *Amendments to Australian Accounting Standards– Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2022*	The amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 *Business Combinations*. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business. This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128. * The mandatory effective date of AASB 2014-10 has been deferred to 1 January 2022 by AASB 2017-5.	The entity has not yet assessed the full impact of this Standard.

Directors' Declaration

In the opinion of the Directors of Windlab Limited:

The consolidated financial statements and notes of Windlab Limited are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and
- Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- There are reasonable grounds to believe that Windlab Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2018.

Note 2 confirms that the consolidated statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.

Roger Price Director	**Pippa Downes** Director

Dated this 28th day of February 2019

Independent Auditor's Report

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Independent Auditor's Report

To the Members of Windlab Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Windlab Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Inventory (Note 2.12 and Note 11)	
The Group accounts for wind farm development projects as inventory in accordance with AASB 102 *Inventories* on the basis that the projects are intended for sale. The value of development project costs capitalised as inventory is material to the financial statements. Significant management judgement is required in relation to: • Capitalising costs during the year that are valid, relate to the project and qualify for capitalisation under AASB 102; and • Reviewing projects to ensure that they are recorded at amounts that do not exceed net realisable value, based on the estimated proceeds that will be received upon sale. This area is a key audit matter due to the high degree of estimation and judgement involved.	Our procedures included, amongst others: • Reviewing inventory recognition policies for compliance with AASB 102 *Inventories*; • Vouching a sample of amounts capitalised during the year to vendor invoices and employee timesheets and other information supporting the inclusion of such costs in inventory; • Evaluating the reasonableness of management's assessment of the net realisable value of each project by obtaining an understanding of the status of each project, the remaining expected costs to completion, and expected project sales with reference to recent market transactions; and • Assessing the adequacy of the Group's related disclosures within the financial report.
Investments accounted for using the equity method (Note 2.3 and Note 13)	
The Group owns a 50% interest in Kennedy Energy Park Pty Ltd ("Kennedy") and a 25% interest in Kiata Wind Farm Holdings Pty Ltd ("Kiata"). In accordance with AASB 128 *Investments in Associates and Joint Ventures*, the Kennedy and Kiata investments are accounted for under the equity method and considered for impairment when indicators are identified. The accounting for these investments is not considered complex, however the underlying profit or loss of the investee entities may be impacted by estimation and judgement and other complexities in accounting methods applied in the preparation of the financial statements of those entities. Judgement is also required in assessing whether the Group's carrying value of its investments may be impaired. This area is a key audit matter due to the high degree of estimation and judgement involved.	Our procedures included, amongst others: • Performing appropriate audit procedures in respect of the investees in order to assess the equity accounted profit or loss that is recorded in the consolidated financial statements of the Group, including the assessment of whether any assets in the financial statements of the investees may be impaired; • Evaluating the Group's considerations of the impairment indicators of each of the investments; and • Assessing the adequacy of the disclosures in the consolidated financial statements.

Independent Auditor’s Report (continued)

GrantThornton

Information other than the financial report and auditor’s report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 31 December 2018, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor’s report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 12 to 19 of the Directors’ report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Windlab Limited, for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Grant Thornton

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

S M Coulton
Partner – Audit & Assurance

Sydney, 28 February 2019