



Market Announcement

Dated: 11 May 2017

Tilt Renewables results announcement for the financial year ended 31 March 2017

Tilt Renewables Limited and its subsidiaries ("Tilt Renewables" or "Group") released today its financial statements for the year ended 31 March 2017 ("FY17") together with key highlights and operating metrics for the year. All numbers referred to in this release are in AUD millions.

The financial results for FY17 include a combined 7 months of operations under Trustpower stewardship and 5 months (31 October 2016 to 31 March 2017) under the stewardship of Tilt Renewables. The prior year comparative financials reflect the performance of Tilt Renewables' portfolio of operating assets in Australia and New Zealand under a full 12 months of Trustpower stewardship.

In the short period since the demerger we have been focused on establishing Tilt Renewables as a stand-alone business, recruiting a strong and experienced team and positioning the company for future growth.

We are looking to leverage off the long held values of Trustpower but with an increased focus on executing available development opportunities. We believe that holding a large and diverse portfolio of greenfield development options is the best way to provide sufficient flexibility to execute a range of value accretive projects as market dynamics permit.

Key highlights for FY17

Highlights for the year ending 31 March 2017 included:

- Demerger from Trustpower successfully completed 31 October 2016
- Tilt Renewables is now a stand-alone dual listed company on the NZX and ASX with generation and development assets across Australia and New Zealand and a corporate office established in Melbourne
- Experienced board, management and broader team assembled with collective 250+ years of renewables track record drawn from leading players in the sector
- Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Movements of Financial Instruments ("EBITDAF") of \$124 million achieved
- The development pipeline has been expanded with the acquisition and signing of landholder options for 350 MW of early stage solar projects in central Queensland
- 54 MW Salt Creek Wind Farm project in Victoria is well advanced and targeted to achieve Final Investment Decision by 30 June 2017
- Net cash from operating activities of \$122 million delivered in the financial year

Business performance in FY17

The financial result for the 12 months to 31 March 2017 is summarised in the section below.

Tilt Renewables' wind assets produced 2,049 GWh in FY17, 6% higher than the prior 12 month period and 95 GWh above long term expectations. Wind speeds were above average in New Zealand and Australia across the year. Relative to the prior period, improved wind speeds and asset availability in Australia resulted in a 9% production uplift on FY16. Tilt Renewables completed FY17 with zero Lost Time Injury or Medical Treatment incidents setting the standard for zero harm across our portfolio.

GWh	FY17			FY16			Change		
	Aust	NZ	Group	Aust	NZ	Group	Aust	NZ	Group
Electricity production	1,305	744	2,049	1,201	724	1,925	9%	3%	6%

Revenue from the sale of electricity and large-scale generation certificates ("LGC") was \$174.5 million, 8% higher than the prior period due to stronger production, inflation of Australian power purchase agreement ("PPA") pricing and stronger LGC prices for uncontracted Australian production. New Zealand revenue including post-demerger production sold under the new PPAs with Trustpower, was slightly down on the prior period.

EBITDAF was \$124.0 million, 1% lower than the prior period but slightly ahead of management expectation. Net Profit After Tax was \$16.4 million versus prior year of \$29.1 million, driven lower by higher depreciation and higher income tax expense following the demerger from Trustpower.

At 31 March 2017 the Group had net debt of \$544 million and unutilised committed funding lines of \$115 million providing flexibility to fund short term growth opportunities. Balance sheet gearing of 51% at the end of FY17 is considered appropriate at this time given the existing portfolio of operational assets and the current high level of contracted revenue produced by those assets, with 98% of electricity and LGC production currently contracted.

FY17 result	Units	FY17	FY16	Change
Safety – Lost Time Injury Frequency Rate	Incidents per million hours	0	n/a	n/a
Revenue	AUD \$M	174.5	162.2	8%
EBITDAF	AUD \$M	124.0	124.7	(1%)
Net profit after tax	AUD \$M	16.4	29.1	(44%)
Earnings Per Share	AUD cps	5.2	9.3	(44%)
Full year Dividends Per Share	AUD cps	5.25	n/a	n/a



Strategy

Tilt Renewables continues to progress the 54 MW Salt Creek Wind Farm in western Victoria and is targeting final investment decision, subject to board approval, by the end of June 2017. In the context of the existing portfolio's highly contracted position and committed debt funding available to the Group, the Salt Creek Wind Farm project is well positioned to add around 170 GWh of annual production from the second half of calendar 2018.

The Group's development portfolio has been enhanced in recent months with the addition of three solar development sites in central Queensland that have a potential combined installed capacity of approximately 350 MW. We believe these sites have strong solar resource, good transmission connection options and can achieve development approvals within a 9 to 12 month timeframe. With these important additions we now have a development pipeline in Australia of close to 2,100 MW of wind and solar projects as well as 530 MW of wind projects in New Zealand.

Following the outcomes of the Palmer wind project appeal hearing, the NSW Planning Assessment Commission, in respect of the Rye Park wind project and the Waverley wind project environmental consent hearing in New Zealand, all expected within the next few months, we are targeting for the Group to have over 1,200 MW of consented projects in Australia and 530 MW in New Zealand by the end of 2017. We are focused on the quality of our pipeline rather than its size and we are highly selective in our pipeline additions.

We believe that the market for LGCs includes customers looking for short and medium term purchasing as well as long term bundled purchasing by the dominant mass market retailers. We aim to be responsive to the market needs of these various parties. Our intent is to bring our best development projects through to financial commitment that add value for our shareholders.

Dividend

The Directors have approved a final unfranked dividend of AUD 2.25 cents per share with a record date of 26 May 2017 and payment date of 9 June 2017.

Robert Farron
Chief Executive



For further information please contact:

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Chief Financial Officer
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Notes

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

TILT RENEWABLES LIMITED AND SUBSIDIARIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Financial statements

Tilt Renewables is pleased to present its audited financial statements. These financial statements have been prepared as if the demerged Tilt Renewables had been a stand alone entity since 1 April 2015, at the start of the prior year comparative period. More information on how the pre-demerger financial information was prepared can be found in note 1.

The notes to our financial statements have been grouped into the broad categories that the Directors consider most relevant when evaluating the performance of Tilt Renewables. The categories are:

Generation	Notes 3 - 8
Funding	Notes 9 - 11
Equity	Notes 12 - 16
Tax, related parties & other notes	Notes 17 - 22

There is also an appendix, from notes A1 to A19, which contains additional detailed disclosure readers may wish to consider to supplement the disclosures in the primary sections of notes listed above.

There is also a profitability analysis for the generation segment included in note 3.

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Key metrics

	2017	2016
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition (EBITDAF) (\$M)	124,046	124,680
Profit After Tax (\$M)	16,371	29,149
Underlying earnings after tax (\$M)	8,621	25,330
Basic earnings per share (cents per share)	5.23	9.31
Dividends paid during the year (cents per share)	6.46	7.20
Gearing ratio	51%	56%
Generation production		
Australian generation production (GWh)	1,305	1,201
New Zealand generation production (GWh)	744	724
	2,049	1,925

TILT RENEWABLES LIMITED AND SUBSIDIARIES
DIRECTORS' RESPONSIBILITY STATEMENT
FINANCIAL STATEMENTS 2017

The Directors are pleased to present the financial statements of Tilt Renewables Limited and subsidiaries for the year ended 31 March 2017.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group as at 31 March 2017 and the financial performance and cash flows for the year ended on that date.

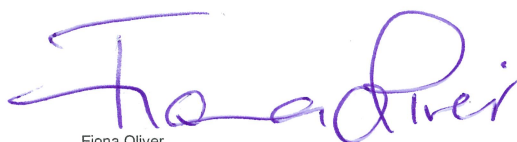
The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

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

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



Bruce Harker
Chairman



Fiona Oliver
Director

Company Registration Number 1212113
Dated: 11 May 2017

TILT RENEWABLES LIMITED AND SUBSIDIARIES
INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 \$000	2016 \$000
Operating revenue			
Electricity revenue	3	174,269	162,238
Other operating revenue		198	-
	2	174,467	162,238
Operating expenses			
Generation costs		36,285	27,104
Employee benefits		3,853	1,321
Other operating expenses	A5	10,283	9,133
		50,421	37,558
EBITDAF	A2	124,046	124,680
Net fair value (gains) / losses on financial instruments	A9	(7,750)	(3,819)
Amortisation of intangible assets		12	1
Depreciation	4	73,984	68,520
Operating profit		57,800	59,978
Interest paid	10	32,160	34,593
Interest received	10	(272)	(390)
Net finance costs		31,888	34,203
Profit before income tax		25,912	25,775
Income tax (expense) / income	17	(9,541)	3,374
Profit after tax		16,371	29,149
Profit after tax attributable to the shareholders of the Company		16,371	29,149
Basic and diluted earnings per share (cents per share)	A3	5.23	9.31

The accompanying notes form part of these financial statements

TILT RENEWABLES LIMITED AND SUBSIDIARIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 \$000	2016 \$000
Profit after tax		16,371	29,149
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Revaluation gains on generation assets	12	132,603	3,458
Other currency translation differences	12	8,010	(15,143)
Tax effect of the following:			
Revaluation gains on generation assets	12	(38,538)	(1,493)
Other currency translation differences	12	667	14,541
Total other comprehensive income		102,742	1,363
Total comprehensive income		119,113	30,512
Attributable to shareholders of the Company		119,113	30,512

The accompanying notes form part of these financial statements

TILT RENEWABLES LIMITED AND SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 \$000	2016 \$000
Equity			
<i>Capital and reserves attributable to shareholders of the Company</i>			
Share capital	12	-	-
Invested capital	12	-	90,286
Revaluation reserve	12	450,148	356,083
Retained earnings	12	79,047	-
Foreign currency translation reserve	12	(9,767)	(21,055)
Total equity		519,428	425,314
<i>Represented by:</i>			
Current assets			
Cash at bank		27,008	5,136
Receivable from related parties	22	3,281	-
Accounts receivable and prepayments	A7	16,549	26,371
Derivative financial instruments	A10	-	21
		46,838	31,528
Non-current assets			
Property, plant and equipment	4	1,241,025	1,161,719
Derivative financial instruments	A10	4,654	31
Intangible assets	5	569	23
		1,246,248	1,161,773
Total assets		1,293,086	1,193,301
Current liabilities			
Accounts payable and accruals	A8	9,363	10,318
Payable to related parties	22	6,238	68,243
Borrowings	9	35,086	26,000
Derivative financial instruments	A10	1,448	1,097
Taxation payable		7,297	948
		59,432	106,606
Non-current liabilities			
Borrowings	9	535,675	512,762
Derivative financial instruments	A10	7,666	11,164
Accounts payable and accruals	A8	2,952	3,098
Deferred tax liability	18	167,933	134,357
		714,226	661,381
Total liabilities		773,658	767,987
Net assets		519,428	425,314

The accompanying notes form part of these financial statements

TILT RENEWABLES LIMITED AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

		Share capital	Invested capital	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity
Note		\$000	\$000	\$000	\$000	\$000	\$000
	Opening balance as at 1 April 2015	-	80,794	354,118	(17,842)	-	417,070
	Total comprehensive income for the period	-	29,149	1,965	(602)	-	30,512
	<i>Transactions with owners recorded directly in equity</i>						
	Dividends paid	14	(22,268)	-	-	-	(22,268)
	Total transactions with owners recorded directly in equity		(22,268)	-	-	-	(22,268)
	Closing balance as at 31 March 2016		87,675	356,083	(18,444)	-	425,314
	Movements 1 April 2016 - 31 October 2016						
	Total comprehensive income for the period	12	16,489	-	11,504	-	27,993
	Disposal of revalued assets		-	-	-	-	-
	<i>Transactions with owners recorded directly in equity</i>						
	Dividends paid	14	(11,134)	-	-	-	(11,134)
	Total transactions with owners recorded directly in equity		(11,134)	-	-	-	(11,134)
	Demerger on 31 October 2016		(93,030)	-	-	93,030	-
	Balance as at 31 October 2016		-	356,083	(6,940)	93,030	442,173
	Movements 1 November 2016 - 31 March 2017						
	Total comprehensive income for the period	12	-	94,065	(2,827)	(118)	91,120
	Settlement of demerger related party charges		-	-	-	(4,906)	(4,906)
	<i>Transactions with owners recorded directly in equity</i>						
	Dividends paid	14	-	-	-	(8,959)	(8,959)
	Total transactions with owners recorded directly in equity		-	-	-	(8,959)	(8,959)
	Closing balance as at 31 March 2017		-	450,148	(9,767)	79,047	519,428

The accompanying notes form part of these financial statements

TILT RENEWABLES LIMITED AND SUBSIDIARIES
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 \$000	2016 \$000
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers (inclusive of GST)		203,434	177,328
		<u>203,434</u>	<u>177,328</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees (inclusive of GST)		74,870	50,961
Taxation paid		6,407	13,628
		<u>81,277</u>	<u>64,589</u>
Net cash from operating activities	A13	<u>122,158</u>	<u>112,739</u>
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Interest received		272	390
		<u>272</u>	<u>390</u>
<i>Cash was applied to:</i>			
Lodgement of electricity market security deposits		-	2
Purchase of property, plant and equipment		16,769	4,465
Purchase of intangible assets		546	25
		<u>17,316</u>	<u>4,492</u>
Net cash used in investing activities		<u>(17,044)</u>	<u>(4,102)</u>
Cash flows from financing activities			
<i>Cash was provided from:</i>			
Secured loan proceeds		442,477	27,000
		<u>442,477</u>	<u>27,000</u>
<i>Cash was applied to:</i>			
Repayment of loans		409,118	87,978
Loan from related parties		-	(5,204)
Repayment of related parties		64,594	-
Interest paid		32,397	34,726
Dividends paid		20,093	22,268
		<u>526,202</u>	<u>139,768</u>
Net cash used in financing activities		<u>(83,724)</u>	<u>(112,768)</u>
Net increase / (decrease) in cash and cash equivalents		<u>21,390</u>	<u>(4,131)</u>
Cash and cash equivalents at beginning of the year		5,136	8,819
Exchange gains/(losses) on cash and cash equivalents		482	448
Cash and cash equivalents at end of the year		<u>27,008</u>	<u>5,136</u>

The accompanying notes form part of these financial statements

TILT RENEWABLES LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

NOTE 1: BASIS OF PREPARATION

Reporting entity

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

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

The financial statements are presented for the year ended 31 March 2017.

On 31 October 2016, the demerger of Scarlett Limited (previously known as Trustpower Limited, "Old Trustpower") became effective. At this date, all of the assets and liabilities directly related to the development and operation of wind and solar generation assets were transferred to Tilt Renewables. The remaining assets and liabilities, related to the ownership and operation of hydro generation assets and the retail sale of energy and telecommunications services, were transferred to Trustpower Limited.

The financial information presented in these consolidated financial statements is based on actual figures as an independent group after the demerger and carve-out figures prior to the demerger. The carve-out financial information presented in these consolidated financial statements reflects the financial performance of the business units responsible for the development, ownership and operation of wind and solar generation assets (Tilt Renewables). Accordingly, the consolidated statement of financial position as at 31 March 2017, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period November 2016 – March 2017 and the related key figures are based on actual figures as an independent group. The financial information for the periods before 31 October 2016 are a carve-out of the financials for Tilt Renewables from information provided by Old Trustpower.

Basis of preparation

The financial statements are prepared in accordance with:

- The Financial Markets Conduct Act 2013, and NZX equity listing rules.
- New Zealand Generally Accepted Accounting Practice (NZGAAP).
- New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS).
- Other applicable New Zealand Financial Reporting Standards, as appropriate for profit oriented entities.

The financial statements have been prepared as follows:

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

An index to all of the accounting policies is available in note A1. Changes to accounting policies and standards are shown in note A19.

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

Judgements and key assumptions

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

- Fair value of Tilt Renewables generation assets (Note 6)
- Useful lives of generation assets for depreciation (Note 6)
- Fair value of derivatives and other financial instruments (Note A17)

Basis of accounting for the carve-out financial information

The carve-out financial information of Tilt Renewables for the year ended 31 March 2016 and for the seven month period ended 31 October 2016 has been prepared on a carve-out basis from Old Trustpower's consolidated financial statements, which comply with NZ IFRS, comprising the historical income and expenses, assets and liabilities and cash flows attributable to Tilt Renewables. Tilt Renewables carve-out financial information includes all those legal entities that have historically comprised the Tilt Renewables aspects of Old Trustpower.

Where the operations of Old Trustpower entities transferred in their entirety to Trustpower Limited or Tilt Renewables the financial information of those entities have been assigned wholly to Trustpower Limited or Tilt Renewables respectively. Where the operations of an Old Trustpower entity comprised both the operations of Trustpower Limited and Tilt Renewables the income and expenses have been allocated based on the business units that generated the income and expenditure. Assets and liabilities have been allocated based on methods specific to each line item. Where a line item has required additional adjustments or recalculations an explanation is given below.

The carve-out financial information may not be indicative of Tilt Renewables future performance and it does not necessarily reflect what its combined results of operations, financial position and cash flows would have been have Trustpower operated as an independent group and had it presented standalone financial statements during the periods presented.

The following summarises the main carve-out adjustments and allocations made in preparing the carve-out financial information. The Directors of Tilt Renewables consider that the allocations described below have been made on a reasonable basis but are not necessarily indicative of the costs that would have been incurred if Tilt Renewables had been a standalone entity.

Intercompany transactions and related party transactions

Intercompany transactions and assets and liabilities between Tilt Renewables entities have been eliminated in the carve-out financial information. Transactions with other Old Trustpower companies transferred to Trustpower Limited have been treated as related party transactions. Accounts receivable from and payables to other group companies as at 31 March 2016 reflect the accounts receivable and payable between Tilt Renewables entities and Trustpower Limited entities. Some carve-out adjustments have been applied to these balances reflecting the fact that the operations of some Old Trustpower entities were split between Tilt Renewables and Trustpower Limited.

Invested capital

The net assets of Tilt Renewables are represented firstly by share capital, revaluation reserve and foreign currency translation reserve where these components of equity relate directly to the entities comprising of Tilt Renewables. The surplus of net assets over these components of equity is represented by capital invested in Tilt Renewables and shown as "invested capital". The consolidated statement of changes in equity shows that contributed equity is transferred to retained earnings on 31 October 2016.

Financing

Treasury management was centralised within Old Trustpower so that all external debt was held within one New Zealand entity and one Australian entity. Upon demerger all debt facilities of Old Trustpower were refinanced and new debt facilities were implemented by Tilt Renewables and Old Trustpower.

The external debt financing and related interest expenses of the demerging Old Trustpower group that were directly attributable to the operations of Tilt Renewables, were included in the carve-out financial information. This carve-out allocation was also consistent with the debt allocations that occurred upon the implementation of the demerger.

Income tax

Where 100% of the operations of an Old Trustpower entity were transferred to Tilt Renewables or Trustpower Limited, the tax expenses and tax liabilities and receivables in the carve-out financial information is based on actual taxation.

Where the operations of an entity were split between Tilt Renewables and Trustpower Limited the taxes allocated to Tilt Renewables have been recalculated as if it had been a separate taxpayer. The remaining taxes have been allocated to Trustpower.

Dividends

Dividends were allocated to Tilt Renewables based on the dividend policy articulated prior to the demerger. All remaining dividends have been allocated to Trustpower.

NOTE 2: SEGMENT INFORMATION

The leadership team of the group, consisting of the Chief Executive Officer, Chief Financial Officer, General Manager for Operations & Trading and the General Manager for Renewable Development, examines the group's performance from a geographic perspective and has identified the following reporting segments for the group.

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

- 2.1 Australian generation - the generation of renewable electricity by wind power schemes across Australia.
- 2.2 New Zealand generation - the generation of renewable electricity by wind power schemes across New Zealand.

The leadership team primarily use a measure of EBITDAF to assess the performance of the operating segments. They also receive information about the segments' revenue, assets and financing on a monthly basis. Information about segment revenue and significant customers is disclosed in note 3.

The segment results for the year ended 31 March 2017 are as follows:

	Generation New Zealand \$000	Generation Australia \$000	Total \$000
Revenue from external customers	46,765	127,702	174,467
EBITDAF	32,975	91,071	124,046
Amortisation of intangible assets	-	12	12
Depreciation	23,941	50,043	73,984
Capital expenditure	11,473	5,296	16,769

The segment results for the year ended 31 March 2016 are as follows:

	Generation New Zealand \$000	Generation Australia \$000	Total \$000
Revenue from external customers	47,986	114,252	162,238
EBITDAF	40,708	83,972	124,680
Amortisation of intangible assets	-	1	1
Depreciation	19,800	48,720	68,520
Capital expenditure	2,276	2,564	4,840

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of the energy and environmental products outlined below in the ordinary course of the Group's activities.

- sale of electricity generated from the Group's wind farms; and
- generation of Large-scale Generation Certificates (LGC's) in Australia. These are recognised at fair value when they are generated and in the same period as the costs are incurred.

Revenues are recognised on an accrual basis net of GST unless not recoverable from the taxation authority.

The Group recognises revenue when the amount of revenue can be reliably measured, when the significant risks and rewards of ownership of the products have passed to the buyer, and the Group obtains the right to be compensated.

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

NOTE 3: PROFITABILITY ANALYSIS

Tilt Renewables owns 386MW of wind generation assets throughout Australia as well as 196MW of wind generation assets in New Zealand.

Australia

	2017 \$000	2016 \$000
Operating revenue		
Electricity revenue	80,146	71,421
LGC revenue	47,358	42,831
Net other operating revenue	198	-
	127,702	114,252
Operating expenses		
Generation production costs	26,743	20,964
Employee benefits	2,883	925
Other operating expenses	7,005	8,391
	36,631	30,280
EBITDAF	91,071	83,972

New Zealand

	2017 \$000	2016 \$000
Operating revenue		
Electricity revenue	46,765	47,986
	46,765	47,986
Operating expenses		
Generation production costs	9,542	6,140
Employee benefits	970	396
Other operating expenses	3,278	742
	13,790	7,278
EBITDAF	32,975	40,708

Generation development

An ongoing part of Tilt Renewables business is the development of new generation assets. All costs incurred, prior to our assessment to move forward with the building of a new asset are expensed, including exploration, evaluation and consenting costs. All costs from the point when a project transitions into a build phase are capitalised if appropriate (see note A5 for further details).

Generation lease revenue

In accordance with *UIG 4 Determining whether an Asset Contains a Lease*, revenue that is generated under certain power purchase agreements, where Tilt Renewables sells substantially all of the related electricity to one customer, is classified as lease income.

Over 95% of the electricity generated by Tilt Renewables Australian wind farms is sold via power purchase agreements to a large Australian electricity retailer. Almost all of the electricity generated by Tilt Renewables New Zealand is sold via a power purchase agreement to Trustpower. These agreements have been deemed as operating leases of the wind farms under NZ IFRS and all revenue under these contracts are accounted for as lease revenue (2017: \$148,509 2016: \$110,214,000).

The volume of energy supplied is dependent on the actual generation of the wind farms, therefore, the future minimum payments under the terms of the contracts, that expire between 31 December 2018 and 31 December 2030, are not able to be quantified with sufficient reliability for disclosure in the financial statements.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Generation assets include land and buildings which are not separately identifiable from other generation assets. Generation assets were independently revalued, using a discounted cash flow methodology, as at 31 March 2017, to their estimated market value as assessed by an independent expert. See note A15 for historical cost information and see note 6 for details of the fair value of the generation assets

Other property, plant and equipment assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value amount may not be recoverable

An impairment loss is recognised for the amount by which the asset's carrying value amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

	Generation assets	Other plant and equipment	WIP	Total
	\$000	\$000	\$000	\$000
Opening balance as at 1 April 2015				
Fair value	1,241,014	-	-	1,241,014
Cost	326	4,787	3,465	8,578
Accumulated depreciation	(1,790)	(1,279)	-	(3,069)
	1,239,550	3,508	3,465	1,246,523
Additions at cost	2,988	1,852	-	4,840
Depreciation	(68,116)	(404)	-	(68,520)
Foreign exchange movements	(24,622)	40	-	(24,582)
Revaluations	3,458	-	-	3,458
Closing balance as at 31 March 2016				
Fair value	1,153,180	-	-	1,153,180
Cost	88	6,590	3,465	10,143
Accumulated depreciation	(10)	(1,594)	-	(1,604)
	1,153,258	4,996	3,465	1,161,719
Additions at cost	12,652	894	3,223	16,769
Depreciation	(73,558)	(426)	-	(73,984)
Disposals at net book value	(22)	(39)	-	(61)
Foreign exchange movements	3,977	2	-	3,979
Revaluations	132,571	32	-	132,603
Closing balance as at 31 March 2017				
Fair value	1,228,844	243	-	1,229,087
Cost	34	6,915	6,688	13,637
Accumulated depreciation	-	(1,699)	-	(1,699)
	1,228,878	5,459	6,688	1,241,025
Closing balance as at 31 March 2017 by country				
Australia	995,209	5,360	6,663	1,007,232
New Zealand	233,669	99	25	233,793
	1,228,878	5,459	6,688	1,241,025
Closing balance as at 31 March 2016 by country				
Australia	922,570	4,888	3,452	930,910
New Zealand	230,688	108	13	230,809
	1,153,258	4,996	3,465	1,161,719

Property, plant and equipment

Generation assets are revalued, by independent external valuers, every three years or more frequently if there is evidence of a significant change in value. All other property, plant and equipment is stated at its original cost less depreciation and impairment.

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

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

NOTE 5: INTANGIBLE ASSETS

On 17 March 2017 Tilt Renewables purchased two solar development projects in Queensland for \$546,000.

NOTE 6: KEY ASSUMPTIONS AND JUDGEMENTS

Fair value of generation property, plant and equipment

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

A sensitivity analysis around some key inputs is given in the table below. The valuation is based on a combination of values that are generally at the midpoint of the range. The valuation impact is calculated as the movement in the fair value as a result of the change in the assumption and keeping all other valuation inputs constant. In addition to the tests below, a separate sensitivity analysis has been conducted to assess the impact of varying future cash flows for increases or decreases of up to 10% in market prices (including New Zealand market prices beyond the fixed price period to March 2022).

Assumption	Low	High	Valuation Impact
			AUD
Australian Assets			
Forward electricity price path (including renewable energy credits)	Lower South Australia spot prices over a 10-year period (15% below the base case on average), reverting to real \$93/MWh beyond 2030	Higher South Australia spot prices over a 10-year period (23% above the base case on average) reflecting current market fundamentals without short-term energy policy intervention	-\$57,500,000 / +\$77,300,000
Note: the valuation impact of changes in price path is reduced by the fixed price agreements in place.			
Generation volume	10% reduction in future production	10% increase in future production	-/+ \$115,400,000
Weighted average cost of capital	7.10%	8.10%	+\$40,600,000 / - \$38,100,000
			NZD
New Zealand Assets			
Generation volume	10% reduction in future production	10% increase in future production	-/+ \$33,900,000
Operating costs	10% increase in future operating expenditure	10% decrease in future operating expenditure	-/+ \$9,000,000
Weighted average cost of capital	7.40%	8.40%	+\$9,100,000 / - \$8,600,000

Some of these inputs are not based on inputs observable in the market, and so under IFRS they are classified within level 2 of the fair value hierarchy. See note A17 for more information of IFRS fair value hierarchy.

Depreciation expense

Management judgment is involved in determining the useful lives of Tilt Renewables generation assets based on engineering knowledge and expertise. The lives of longer lived assets are subject to a greater degree of judgement.

Sensitivity analysis

If the estimated useful lives of generation assets were 10% higher/lower, operating profit for the year would have increased/(decreased) by \$6,445,000/\$(7,089,000) (2016: \$6,192,000/\$(7,568,000)).

NOTE 7: BUSINESS COMBINATIONS

On 17 March 2017 Tilt Renewables purchased two solar development projects in Queensland for \$546,000.

NOTE 8: FINANCIAL RISK MANAGEMENT - GENERATION

Exchange rate risk

Tilt Renewables typically contracts with local and international suppliers when building a new generation asset. Some of these suppliers may require payment to be made in a foreign currency. To manage the risk of a moving foreign exchange rate, Tilt Renewables will fully hedge large transactions in accordance with Tilt Renewables treasury policy. The total notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2017 was nil (31 March 2016: nil).

Electricity price risk

In Australia over 95% and in New Zealand 100% of output is contracted to a large retailers which ensures Tilt Renewables receives a fixed price for this portion of its generation. This risk management strategy assumes that the current electricity wholesale markets operating in New Zealand and Australia, including the renewable energy credit market, will continue to do so in the future. There is a possibility that future regulatory intervention may fundamentally alter the structure of these markets. The likelihood and potential impact of such a change is unquantifiable. However, such an occurrence would likely necessitate a change to Tilt Renewables's electricity price risk management policies and require a review of assets and liabilities held at fair value where electricity price is a key assumption in their value.

Volume risk

In both Australia and New Zealand, 100% of generation comes from wind farms that depend on weather conditions which vary significantly from year to year. Tilt Renewables accepts that this risk will cause a degree of volatility to its earnings and does not attempt to mitigate it.

Credit risk

A large proportion of the Australian and New Zealand revenue comes from three counterparties.

In Australia, one of these is the Australian Electricity Market Operator and the other is a major electricity retailer which holds an investment grade credit rating. As at 31 March 2017 \$10,151,407 was owed to Tilt Renewables by these Australian counterparties (31 March 2016: \$9,807,369).

In New Zealand the sole counterparty is Trustpower. As at 31 March 2017, for electricity generation, \$3,167,369 was owed to Tilt Renewables by Trustpower (31 March 2016: nil).

Damage to generation assets risk

There is potential for Tilt Renewables to sustain major losses through damage to its generation plant and the resulting loss of earnings. The major portion of this risk has been mitigated by taking out appropriate insurance policies with insurers of high creditworthiness. This insurance covers both the repair and or replacement of the plant as well as the lost earnings.

Funding

This section details the borrowings of Tilt Renewables.

Tilt Renewables is debt funded by a combination of bank facilities in New Zealand and Australia and this section should be read in conjunction with the equity section.

This section includes the following notes:

Note 9: Borrowings

Note 10: Finance income and costs

Note 11: Financial risk management - funding

NOTE 9: BORROWINGS

On 7 September 2016, Tilt Renewables signed financing documents in order to enable the funding of the demerger from Old Trustpower. These financing documents included a new syndicated bank debt facility along with the continuation of the EKF Facilities which were historically used to fund a number of the Tilt Renewables operating wind farms. These facilities were drawn down at implementation of the demerger on 31 October 2016 for the purpose of refinancing Old Trustpower debt. In addition to the facilities which were drawn down upon the demerger occurring, there is also an additional expansion facility which remains undrawn and is available to fund future growth opportunities.

At 31 March 2017 Tilt Renewables has drawn down secured loan borrowings against the following facilities.

Facility	Limit - AUD
Facility A - expiry date: 31 October 2019	185,000,000
Facility B - expiry date: 31 October 2020	180,957,900
EKF Facility I - expiry date: 30 November 2035	171,900,000
EKF Facility II - expiry date: 12 July 2021	101,316,905
EKF Facility III - expiry date: 30 November 2026	45,675,750

Repayment terms:

Less than one year
One to two years
Two to five years
Over five years
Facility establishment costs

Current portion
Non-current portion

Undrawn facilities

Less than one year
One to two years
Two to five years
Over five years

Weighted average interest:

Less than one year
One to two years
Two to five years
Over five years

2017		
Secured loans		
New Zealand dollar facilities # \$000	Australian dollar facilities \$000	Total bank facilities \$000
13,957	23,030	36,987
14,216	24,065	38,281
91,557	282,707	374,264
13,703	113,793	127,496
(1,075)	(5,192)	(6,267)
132,358	438,403	570,761
13,631	21,455	35,086
118,727	416,948	535,675
132,358	438,403	570,761
-	-	-
-	-	-
-	115,000	115,000
-	-	-
-	115,000	115,000
2.9%	3.8%	
2.9%	3.8%	
3.4%	3.5%	
3.6%	4.5%	
3.3%	3.8%	

Repayment terms:

Less than one year

One to two years

Two to five years

Over five years

Facility establishment costs

Current portion

Non-current portion

Undrawn facilities

Less than one year

One to two years

Two to five years

Over five years

Weighted average interest rate:

Less than one year

One to two years

Two to five years

Over five years

2016		
Unsecured bank loans		
New Zealand dollar facilities # \$000	Australian dollar facilities \$000	Total bank facilities \$000
-	67,000	67,000
-	130,000	130,000
-	179,000	179,000
70,772	93,598	164,370
(1,608)	-	(1,608)
69,164	469,598	538,762
-	26,000	26,000
69,164	443,598	512,762
69,164	469,598	538,762
-	8,000	8,000
-	-	-
-	136,000	136,000
-	-	-
-	144,000	144,000
-	3.2%	-
-	3.2%	-
-	3.2%	-
3.4%	4.9%	-
3.4%	3.5%	-

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

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method.

Facility establishment costs are amortised over the life and debt profile of the borrowings facility.

A loan that matures within a year will still be considered non-current if Tilt Renewables has an unconditional right to refinance the loan through non-current undrawn facilities with the same lender.

The fair value of Tilt Renewables bank loans and bonds is not materially different to the carrying values above.

NOTE 10: FINANCE INCOME AND COSTS

Interest paid on bank loans

Other interest costs and fees

Interest paid to related parties

Total interest expense

Interest received on cash at bank

Total interest income

2017 \$000	2016 \$000
21,842	22,327
10,318	7,772
-	4,494
32,160	34,593
272	390
272	390

There was no capitalised interest in the year ended 31 March 2017 (31 March 2016: nil).

NOTE 11: FINANCIAL RISK MANAGEMENT - FUNDING

Interest rate risk

All of Tilt Renewables borrowings are a series of floating interest rate facilities. Tilt Renewables uses Interest Rate Swaps (IRS) to fix the interest costs of the Group. This stabilises Tilt Renewables debt servicing costs. However for every dollar of debt protected against a potential rise in market interest rates, that same dollar is unable to take advantage of a potential fall in market interest rates. Payments made or received by IRS are recognised as a part of "Interest paid on bank loans", except for an immaterial number of these IRS which are instead hedge accounted.

The amount of interest rate risk taken in the current and future years is managed in accordance with a Board approved Treasury Policy. The policy is independently reviewed every three years.

Liquidity risk

The Group's ability to readily attract cost effective funding is largely driven by its credit standing.

Prudent liquidity risk management requires maintaining sufficient cash, marketable securities or unutilised committed credit facilities to provide cover for reasonably conceivable adverse conditions. The Group operates under a Board approved treasury policy which dictates the level of available committed facilities to be maintained. This is measured by forecasting debt levels under various adverse scenarios and comparing this to committed facility levels.

Exchange rate risk

Approximately 23% of Tilt Renewables debt is denominated in New Zealand dollars.

Refinancing risk

From time to time Tilt Renewables debt facilities mature and need to be refinanced. There is a risk that this could occur during adverse market conditions resulting in increased interest rates or, in extreme events, a complete inability to refinance. The Treasury Policy requires a spread of debt maturities to minimise the impact of this risk should it occur. This is measured by the proportion of debt maturing in various time bands.

Credit risk

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

Equity

This section outlines the equity structure of Tilt Renewables.

Tilt Renewables is listed on the New Zealand Stock Exchange under the code TLT. Tilt Renewables has over 11,800 shareholders, the two largest shareholders are Infratil Limited (51.0%) and the Tauranga Energy Consumer Trust (26.8%).

This section includes the following notes:

Note 12: Equity

Note 13: Share capital

Note 14: Dividends on ordinary shares

Note 15: Imputation and franking credit account

Note 16: Financial risk management - equity

NOTE 12: EQUITY

	Share capital	Invested capital	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity
Opening balance as at 1 April 2015	-	80,794	354,118	(17,842)	-	417,070
Profit after tax attributable to the shareholders of the Company	-	29,149	-	-	-	29,149
Other comprehensive income - items that may be reclassified to the profit or loss						
Revaluation gains on generation assets	-	-	3,458	-	-	3,458
Currency translation differences on revaluation reserve	-	-	-	(15,143)	-	(15,143)
Other currency translation differences	-	-	-	-	-	-
Tax effect of the following:						
Revaluation gains on generation assets	-	-	(1,493)	-	-	(1,493)
Other currency translation differences	-	-	-	14,541	-	14,541
Total other comprehensive income	-	-	1,965	(602)	-	1,363
Transactions with owners recorded directly in equity						
Dividends paid	-	(22,268)	-	-	-	(22,268)
Total transactions with owners recorded directly in equity	-	(22,268)	-	-	-	(22,268)
Closing balance as at 31 March 2016	-	87,675	356,083	(18,444)	-	425,314
	Share capital	Invested capital	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Total equity
Opening balance as at 1 April 2016	-	87,675	356,083	(18,444)	-	425,314
Movements 1 April 2016 - 31 October 2016						
Profit after tax attributable to the shareholders of the Company	-	16,489	-	-	-	16,489
Other comprehensive income - items that may be reclassified to the profit or loss						
Other currency translation differences	-	-	-	10,837	-	10,837
Tax effect of the following:						
Other currency translation differences	-	-	-	667	-	667
Total other comprehensive income	-	-	-	11,504	-	11,504
Transactions with owners recorded directly in equity						
Dividends paid	-	(11,134)	-	-	-	(11,134)
Total transactions with owners recorded directly in equity	-	(11,134)	-	-	-	(11,134)
Demerger on 31 October 2016	-	(93,030)	-	-	93,030	-
Balance as at 31 October 2016	-	-	356,083	(6,940)	93,030	442,173
Movements 1 November 2016 - 31 March 2017						
Profit after tax attributable to the shareholders of the Company	-	-	-	-	(118)	(118)
Other comprehensive income - items that may be reclassified to the profit or loss						
Revaluation gains on generation assets	-	-	132,603	-	-	132,603
Other currency translation differences	-	-	-	(2,827)	-	(2,827)
Tax effect of the following:						
Revaluation gains on generation assets	-	-	(38,538)	-	-	(38,538)
Other currency translation differences	-	-	-	-	-	-
Total other comprehensive income	-	-	94,065	(2,827)	(118)	91,120
Settlement of demerger related party charges	-	-	-	-	(4,906)	(4,906)
Transactions with owners recorded directly in equity						
Dividends paid	-	-	-	-	(8,959)	(8,959)
Total transactions with owners recorded directly in equity	-	-	-	-	(8,959)	(8,959)
Closing balance as at 31 March 2017	-	-	450,148	(9,767)	79,047	519,428

NOTE 13: SHARE CAPITAL

Authorised and issued ordinary shares at beginning of period
Shares issued on demerger

2017	2016	2017	2016
000's of shares		\$000	\$000
-	-	-	-
312,973	-	-	-
312,973	-	-	-

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

On 31 October 2016 a Court Approved Scheme of Arrangement was implemented to effect the demerger of Trustpower Limited whereby Trustpower Limited was liquidated and the shareholders of Trustpower Limited received an in specie distribution of one Tilt Renewables Limited and one New Trustpower share for every share that they held in Old Trustpower.

NOTE 14: DIVIDENDS ON ORDINARY SHARES

Final dividend prior period
Interim dividend paid current period

2017	2016	2017	2016
Cents per share		\$000	
3.60	3.60	11,134	11,134
3.00	3.60	8,959	11,134
6.60	7.20	20,093	22,268
2.25	-	7,042	-

Final dividend declared subsequent to the end of the reporting period
payable 9 June 2017 to all shareholders on the register at 26 May 2017.

Dividend distribution

Dividends payable to Tilt Renewables shareholders are recognised as a liability in the financial statements in the period in which the dividend is approved by the Board.

NOTE 15: IMPUTATION AND FRANKING CREDIT ACCOUNT

Imputation credits available for use in subsequent reporting periods
Franking credits available for use in subsequent reporting periods

2017	2016
\$000	\$000
376	-
25,507	13,881
25,883	13,881

The above amounts represent the balance of these accounts as at the end of the reporting period, adjusted for respective credits that will arise from the payment of the amount of taxation payable.

NOTE 16: FINANCIAL RISK MANAGEMENT - EQUITY

Capital risk management objectives

When managing capital, Tilt Renewables objectives are to ensure sufficient funds are available to pay liabilities when they fall due and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Tilt Renewables has discretion to adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Tilt Renewables monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by net debt plus equity.

The gearing ratio is calculated below:

Net debt

Bank and other debt
Cash and cash equivalents

Equity

Total equity

Total capital funding

Gearing ratio

Note	2017	2016
	\$000	\$000
9	570,761	538,762
	(27,008)	(5,136)
	543,753	533,626
	519,428	425,314
	519,428	425,314
	1,063,181	958,940
	51%	56%

Tax, related party and other notes

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

Tilt Renewables' wholly owned New Zealand resident subsidiaries are not members of a consolidated group for New Zealand tax purposes. Tilt Renewables' wholly owned Australian resident subsidiaries are currently members of a consolidated group for Australian tax purposes.

Tilt Renewables' wholly owned subsidiaries are not in a group of companies for New Zealand or Australia GST purposes.

This section includes the following notes:

Note 17: Income tax expense
Note 18: Deferred income tax
Note 19: Key assumptions and judgements - tax
Note 20: Contingent liabilities and subsequent events
Note 21: Other commitments
Note 22: Related party transactions

NOTE 17: INCOME TAX EXPENSE

	2017 \$000	2016 \$000
Profit before income tax	25,912	25,775
Tax on profit	7,774	7,733
Tax effect of non-assessable revenue	1,856	(10,974)
Reconciliation difference between tax jurisdictions	(89)	-
Income tax over/(under) provided in prior year	-	(133)
	9,541	(3,374)
<i>Represented by:</i>		
Current tax	13,914	4,434
Deferred tax	(4,373)	(7,808)
	9,541	(3,374)

A corporate tax rate of 28% is payable by New Zealand corporate entities on taxable profit under New Zealand tax law. A corporate tax rate of 30% is payable by Australian corporate entities on taxable profit under Australian tax law.

NOTE 18: DEFERRED INCOME TAX

	2017 \$000	2016 \$000
Balance at beginning of period	134,357	157,711
Current year changes in temporary differences recognised in profit or loss	(4,373)	(7,808)
Current year changes in temporary differences recognised in other comprehensive income	38,538	8,021
Reclassification of prior year temporary differences	-	76
Exchange rate movements on foreign denominated deferred tax	(589)	(23,643)
Total deferred tax liabilities	167,933	134,357
<i>Comprising:</i>		
Deferred tax liabilities to be recovered after more than 12 months	162,624	113,921
Deferred tax liabilities to be recovered within 12 months	5,309	20,436
	167,933	134,357

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

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
For the year ended 31 March 2017 (\$000)				
Revaluations	147,806	-	38,538	186,344
Other property, plant and equipment movements	(10,441)	(6,333)	89	(16,685)
Employee benefits	(13)	(13)	-	(26)
Financial instruments	(3,662)	2,289	-	(1,373)
Unrealised losses on Australian dollar loan	667	-	(667)	-
Other	-	(316)	(11)	(327)
	134,357	(4,373)	37,949	167,933
For the year ended 31 March 2016 (\$000)				
Revaluations	146,313	-	1,493	147,806
Other property, plant and equipment movements	1,002	(8,969)	(2,474)	(10,441)
Employee benefits	(13)	-	-	(13)
Financial instruments	(4,800)	1,161	(23)	(3,662)
Unrealised losses on Australian dollar loan	15,208	-	(14,541)	667
	157,710	(7,808)	(15,545)	134,357

NOTE 19: KEY ASSUMPTIONS AND JUDGEMENTS - TAX

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

Tax consolidation

Tilt Renewables' wholly owned New Zealand resident subsidiaries are not members of a consolidated group for New Zealand tax purposes. Tilt Renewables' wholly owned Australian resident subsidiaries are currently members of a consolidated group for Australian tax purposes.

Tilt Renewables' wholly owned subsidiaries are not in a group of companies for Australia GST purposes and they are in a group of companies for New Zealand GST purposes.

Current tax

Current tax expense is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Applicable tax rates and laws are enacted.

Deferred tax

Deferred tax expense is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities and the corresponding tax base of these items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that future taxable amounts will be available.

Deferred tax assets and liabilities are measured at expected tax rates and enacted tax laws at the applicable reporting date.

Deferred tax is recognised for taxable temporary differences between accounting carrying value amounts and tax bases of assets and liabilities.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to equity items where it is recognised as an equity transaction.

Deferred tax assets and liabilities are offset when relating to the same tax authority and the Group intends to settle current tax assets and liabilities on a net basis.

Tax returns for Tilt Renewables and the detailed calculations that are required for filing tax returns are not prepared until after the financial statements are prepared. Estimates of these calculations are made for the purpose of calculating income tax expense, current tax and deferred tax balances. As well as this, an assessment of the result of tax audit issues is also made. Any difference between the final tax outcomes and the estimations made in previous years will affect current year balances.

NOTE 20: CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

The Group is not aware of any material contingent liabilities at the balance date that have not been disclosed elsewhere in these financial statements (2016: nil).

Other than disclosed in note 21 the Group is not party to any material operating leases at balance date (2016: nil).

The Group is not aware of any significant events that have occurred subsequent to balance date but prior to the signing of these financial statements.

NOTE 21: OTHER COMMITMENTS

Operating leases

Not later than 1 year
Later than 1 year and not later than 5 years
Total operating lease commitments

2017	2016
\$000	\$000
331	61
1,177	36
1,508	97

The operating leases relate to the rental agreements for two office buildings in Australia which includes the Tilt Renewables corporate office in Melbourne.

NOTE 22: RELATED PARTY TRANSACTIONS

Key management personnel compensation

Short-term employee benefits

2017	2016
\$000	\$000
962	-
962	-

As at 31 March 2017 \$251,904 (2016: nil) has been accrued and is subject to further approval.

Transactions with other related parties

Sales and purchases of goods and services

Supply of electricity to related parties

Purchase of management services from parent

Purchase of management services from related party

2017	2016
\$000	\$000
17,275	-
14	-
297	-

Other transactions

Settlement of demerger transactions with related party

6,452	-
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Outstanding balances with other related parties

Sales and purchases of goods and services

Supply of electricity and services to related parties

3,281	-
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Other transactions

Funding prior to demerger provided by related party

Settlement of demerger transactions with related party

-	68,243
6,238	-

Shareholders

Tilt Renewables is controlled by Infratil Limited (incorporated in New Zealand) which owns 51.0% of Tilt Renewables Limited's voting shares. The Tauranga Energy Consumer Trust owns 26.8% and the residual balance of 22.2% is widely held.

H.R.L. Morrison & Co Limited manages Infratil Limited where the following Board members of Tilt Renewables Limited hold senior executive positions.

Mr B. Harker
Mr P. Newfield
Mr V Vallabh

Other transactions represent the current estimate of final settlement transactions owed to Trustpower.

Except as noted above, no transactions took place with related parties during the year. All transactions with related parties took place on an arm's length basis. No related party debts were forgiven or written off during the year (2016: nil), and there are no amounts outstanding at 31 March 2017 (2016: nil).

APPENDIX

NOTE A1: SIGNIFICANT ACCOUNTING POLICIES INDEX

Policy	Note
Basis of preparation	1
Principles of consolidation	1
Revenue recognition	2
Generation development	3
Property, plant and equipment	4
Borrowings	9
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Dividend distribution	14
Trade receivables	A7
Trade payables	A8
Cash flow statement	A13
Adoption status of relevant new Financial Reporting Standards and interpretations	A19

Apart from note A18, accounting policies are denoted by the box surrounding them.

NOTE A2: NON-GAAP MEASURES

Underlying earnings after tax

	Note	2017 \$000	2016 \$000
Profit after tax attributable to the shareholders of the Company (\$000)		16,371	29,149
Fair value losses / (gains) on financial instruments	A9	(7,750)	(3,819)
Adjustments before income tax		(7,750)	(3,819)
Adjustments after income tax		-	-
Underlying earnings after tax		8,621	25,330

Underlying earnings is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Tilt Renewables believes that this measure is an important additional financial measure to disclose as it excludes movements in the fair value of financial instruments which can be volatile year to year depending on movement in long term interest rate and or electricity future prices. Also excluded in this measure are items considered to be one off and not related to core business such as changes to the company tax rate or gain/impairment of generation assets.

Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments and asset impairments (EBITDAF)

EBITDAF is a non-GAAP financial measure but is commonly used within the electricity industry as a measure of performance as it shows the level of earnings before the impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.

NOTE A3: EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of Tilt Renewables Limited by the weighted average number of ordinary shares on issue during the year.

	2017	2016
Profit after tax attributable to the shareholders of the Company (\$000)	16,371	29,149
Weighted average number of ordinary shares in issue ('000s)	312,973	312,973
Basic and diluted earnings per share (cents per share)	5.23	9.31
Underlying earnings after tax (\$000)	8,621	25,330
Weighted average number of ordinary shares in issue ('000s)	312,973	312,973
Underlying earnings per share (cents per share)	2.75	8.09

NOTE A4: NET TANGIBLE ASSETS PER SHARE

		2017	2016
	Note	\$000	\$000
Total net assets		519,428	425,314
Less intangible assets		(569)	(23)
Net tangible assets attributed to shareholders		518,859	425,291
Number of ordinary shares in issue (thousands)	13	312,973	312,973
Net tangible assets per share (dollars per share)		1.66	1.36

NOTE A5: OTHER OPERATING EXPENSES

		2017	2016
	Note	\$000	\$000
Remuneration of auditors	A6	120	62
Directors' fees		279	-
Donations		29	31
Generation development expenditure		4,556	5,803
Bank facility and commitment costs		434	-
Other administration costs		4,865	3,237
		10,283	9,133

NOTE A6: REMUNERATION OF AUDITORS

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

Audit and other assurance services

Audit of financial statements		120	62
		120	62

Taxation services

Tax compliance services		13	-
Tax compliance advice		2	-
		15	-

Other services

Other consulting services		39	-
		39	-

Total remuneration of PricewaterhouseCoopers

		174	62
--	--	-----	----

NOTE A7: ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2017	2016
	\$000	\$000
Current portion:		
Electricity market receivables	14,750	15,091
Other receivables and prepayments	1,799	11,280
	16,549	26,371

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that Tilt Renewables will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the income statement. The criteria that Tilt Renewables uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- Trustpower, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; and
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

NOTE A8: ACCOUNTS PAYABLE AND ACCRUALS

	2017 \$000	2016 \$000
<i>Current portion</i>		
Employee entitlements	307	67
Interest accruals	3,728	3,965
GST payable	1,105	52
Other accounts payable and accruals	4,223	6,234
	9,363	10,318
<i>Non-current portion</i>		
Other accounts payable and accruals	2,952	3,098
	2,952	3,098

Trade payables

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

NOTE A9: FAIR VALUE GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS

The changes in the fair value of financial instruments recognised in the income statement for the year to 31 March 2017 are summarised below:

Recognised in the income statement	2017 \$000	2016 \$000
Interest rate derivatives	(7,750)	(3,819)
	(7,750)	(3,819)

NOTE A10: DERIVATIVE FINANCIAL INSTRUMENTS

Current	2017 \$000	2016 \$000
Interest rate derivative assets	-	21
	-	21
Interest rate derivative liabilities	1,448	1,097
	1,448	1,097
Non-current		
Interest rate derivative assets	4,654	31
	4,654	31
Interest rate derivative liabilities	7,666	11,164
	7,666	11,164

NOTE A11: INVESTMENTS IN SUBSIDIARIES

Parent and Group Significant subsidiaries (31 March balance dates)	Country of incorporation and place of business	% owned by Tilt Renewables Ltd		Nature of business
		2017	2016	
# Tilt Renewables Australia Pty Ltd	Australia	100	100	Holding company
# ^ Tilt Renewables Financing Partnership	Australia	100	100	Financial services
# Tilt Renewables Market Services Pty Ltd	Australia	100	100	Financial services
# Tilt Renewables Investments Pty Ltd	Australia	100	100	Financial services
# Snowtown South Wind Farm Pty Ltd	Australia	100	100	Electricity generation
# Snowtown Wind Farm Pty Ltd	Australia	100	100	Electricity generation
# Snowtown Wind Farm Stage 2 Pty Ltd	Australia	100	100	Electricity generation
# Blayney and Crookwell WindFarm Pty Ltd	Australia	100	100	Electricity generation
# Tararua Wind Power Limited	New Zealand	100	100	Electricity generation and generation development
# Church Lane Wind Farm Pty Ltd	Australia	100	100	Generation development
# Dundonnell Wind Farm Pty Ltd	Australia	100	100	Generation development
Salt Creek Wind Farm Pty Ltd	Australia	100	100	Generation development
# Wingeel Wind Farm Pty Ltd	Australia	100	100	Generation development
# Waddi Wind Farm Pty Ltd	Australia	100	100	Generation development
# Rye Park Renewable Energy Pty Ltd	Australia	100	100	Generation development
Nebo 1 Pty Ltd	Australia	100	-	Generation development
Dysart 1 Pty Ltd	Australia	100	-	Generation development

Entered into a Deed of Cross Guarantee with Tilt Renewables Limited removing the requirement for the preparation of separate financial statements where preparation of a separate financial statement is required (refer to Note A12).

^ On 31 March 2017, Tilt Renewables Limited transferred its Limited Partner interest in the Tilt Renewables Financing Partnership to Tilt Renewables Investments Pty Ltd.

Except as noted under note 9 there are no other guarantees or restrictions that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the Group.

NOTE A12: DEED OF CROSS GUARANTEE

A Deed of Cross Guarantee was entered into on 31 March 2017.

Note A11 outlines the entities that are parties to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed.

The following entities are not included in the Deed of Cross Guarantee.

- Salt Creek Wind Farm Pty Ltd
- Nebo 1 Pty Ltd
- Dysart 1 Pty Ltd

No consolidated income statement or statement of financial position has been prepared for the legal entities which are parties to the Deed of Cross Guarantee as all excluded legal entities are shell companies in nature.

**NOTE A13: RECONCILIATION OF NET CASH FROM
OPERATING ACTIVITIES WITH PROFIT AFTER TAX
ATTRIBUTABLE TO THE SHAREHOLDERS**

	2017 \$000	2016 \$000
Profit after tax	16,371	29,149
<i>Items classified as investing/financing</i>		
Interest paid	32,160	34,593
Interest received	(272)	(390)
	31,888	34,203
<i>Non-cash items:</i>		
Amortisation of intangible assets	12	1
Depreciation	73,984	68,520
Movement in derivative financial instruments taken to the income statement	(7,750)	(3,819)
Increase/(decrease) in deferred tax liability excluding transfers to reserves	(4,373)	(7,808)
	61,874	56,894
<i>Decrease/(increase) in working capital:</i>		
Accounts receivable and prepayments	6,540	(3,494)
Taxation payable/receivable	6,349	(3,579)
Accounts payable, accruals excluding capital expenditure accruals	(865)	(434)
	12,025	(7,507)
Net cash from operating activities	122,158	112,739

NOTE A14: EMPLOYEE SHARE BASED COMPENSATION

Members of Tilt Renewables senior executive team and certain other employees (together defined as key management personnel) are eligible to participate in the Performance Rights Plan. The scheme which was implemented on 3 February 2017 is defined as follows:

Each performance right entitles the participants to have one fully paid share in Tilt Renewables transferred or issued to the participant, subject to the satisfaction of the applicable performance conditions and the terms and conditions of the plan.

For the year ended 31 March 2017 no shares have been issued to management (2016: \$Nil).

NOTE A15: PROPERTY, PLANT AND EQUIPMENT AT HISTORICAL COST

If generation assets were stated on an historical cost basis, the amounts would be as follows:

	2017 \$000	2016 \$000
Generation assets (at cost)	1,023	1,042
Generation assets accumulated depreciation	(340)	(293)
	683	749

NOTE A16: FINANCIAL RISK MANAGEMENT

Financial risk management information has been included in notes 8 and 11.

(a) Liquidity risk

The tables below analyse Tilt Renewables financial liabilities excluding gross settled derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the period end date. The amounts in the tables are contractual undiscounted cash flows.

	Less than 1 month \$000	1-6 months \$000	6-12 months \$000	Over 1 year \$000
As at 31 March 2017				
Net settled interest rate derivatives	-	822	626	7,666
Accounts payable and accruals	9,363	-	-	2,952
Secured loans	-	26,056	33,359	639,471
Total	9,363	26,878	33,985	650,089
As at 31 March 2016				
Net settled interest rate derivatives	84	503	510	11,164
Accounts payable and accruals	10,146	78	94	3,098
Unsecured bank loans	200	77,529	4,151	464,298
Total	10,430	78,110	4,755	478,560

(b) Interest rate risk

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 31 March 2017 was \$482,216,350 (2016: \$480,000,000).

Interest payment transactions are expected to occur at various dates between one month and nine years from the end of the reporting period consistent with Tilt Renewables forecast total borrowings.

Weighted average interest rates for Tilt Renewables are disclosed in note 9.

Sensitivity analysis

At 31 March 2017, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year and other components of equity would have been adjusted by the amounts in the table below, as a result of the fair value change in interest rate derivative instruments.

	2017 \$000	2016 \$000
Increase/(decrease) to profit of a 100 basis point decrease in interest rates	(14,075)	(9,959)
Increase to profit of a 100 basis point increase in interest rates	13,325	9,551
Increase/(decrease) to equity of a 100 basis point decrease in interest rates	(14,075)	(9,959)
Increase/ to equity of a 100 basis point increase in interest rates	13,325	9,551

Fair values

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

NOTE A17: FAIR VALUE MEASUREMENT

Estimation of fair values

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities are calculated using discounted cash flow analysis based on market-quoted rates.
- The fair value of derivative financial instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve or available forward price data for the duration of the instruments.

Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used by the valuation techniques are:

- forward price curve (as described below); and
- discount rates.

Valuation Input

- Interest rate forward price curve to value interest rate swaps
- Discount rate for valuing interest rate derivatives

Source

- Published market swap rates
- Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Tilt Renewables for liabilities.

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

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

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

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

There were no transfers between level 1, 2 and 3 assets or liabilities within the fair value hierarchy (2016: none).

The fair value for generation assets is disclosed in note 4.

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

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
31 March 2017				
Assets per the statement of financial position				
Interest rate derivative assets	-	4,654	-	4,654
	-	4,654	-	4,654
Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	9,114	-	9,114
	-	9,114	-	9,114
31 March 2016				
Assets per the statement of financial position				
Interest rate derivative assets	-	52	-	52
	-	52	-	52
Liabilities per the statement of financial position				
Interest rate derivative liabilities	-	12,261	-	12,261
	-	12,261	-	12,261

NOTE A18: FINANCIAL INSTRUMENTS BY CATEGORY

31 March 2017

Assets per the statement of financial position

Derivative financial instruments
Trade and other receivables excluding prepayments
Cash and cash equivalents

Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Assets held to maturity
\$000	\$000	\$000	\$000
-	4,654	-	-
16,549	-	-	-
27,008	-	-	-
43,557	4,654	-	-

31 March 2016

Assets per the statement of financial position

Derivative financial instruments
Trade and other receivables excluding prepayments
Cash and cash equivalents

-	52	-	-
26,371	-	-	-
5,136	-	-	-
31,507	52	-	-

31 March 2017

Liabilities per the statement of financial position

Secured loans
Derivative financial instruments
Trade and other payables

Liabilities at fair value through profit or loss	Derivatives used for hedging	Other financial liabilities at amortised cost
\$000	\$000	\$000
-	-	570,761
9,114	-	-
-	-	12,315
9,114	-	583,076

31 March 2016

Liabilities per the statement of financial position

Unsecured bank loans including bank overdrafts
Derivative financial instruments
Trade and other payables

-	-	538,762
12,261	-	-
-	-	13,416
12,261	-	552,178

See notes A16 and A17 for details on fair value estimation.

NOTE A19: SUPPLEMENTARY ACCOUNTING INFORMATION

A19.1 Cash flow statement

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

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

A19.2 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian currency units (AUD), which is Tilt Renewables functional and presentation currency

A19.3 Adoption status of relevant new financial reporting standards and interpretations

No new standards and amendments to standards were applied during the period.

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

NZ IFRS 9 Financial Instruments	<p>NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss.</p> <p>The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.</p> <p>NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018.</p> <p>Early adoption is permitted. Tilt Renewables intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.</p>
NZ IFRS 15 Revenue from Contracts with Customers	<p>NZ IFRS 15, 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.</p> <p>The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.</p> <p>Tilt Renewables intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact. This standard is not expected to significantly impact Tilt Renewables.</p>
NZ IFRS 16 Leases	<p>NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting for leases under NZ IFRS 16 is almost the same as NZ IAS 17. However, because the guidance on the definition of a lease has been updated (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.</p> <p>The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers.'</p> <p>Tilt Renewables intends to adopt NZ IFRS 16 on its effective date and has yet to assess its full impact.</p>

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



Independent auditor's report

To the shareholders of Tilt Renewables Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements of Tilt Renewables Limited (the Company), including its controlled entities (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The consolidated financial statements comprise:

- the statement of financial position as at 31 March 2017;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of tax compliance. The provision of these other services has not impaired our independence as auditor of the Group.

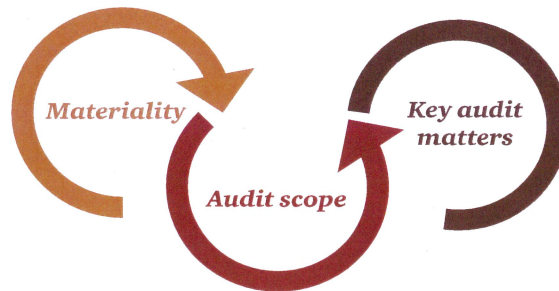
Our audit approach

An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They

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are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



Materiality

- For the purpose of our audit we used overall Group quantitative materiality of \$1.2 million, which represents 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the consolidated financial statements as a whole.
- We chose Group profit before tax because, in our view, it is the metric against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark.
- We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable profit related thresholds.

Audit scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We audited the consolidated Australian and New Zealand operations using an overall Group materiality.
- The Group has operations and assets across Australia and New Zealand, with its head office based in Melbourne, where we performed most of our procedures.
- Our team included, amongst others, valuation experts in relation to our audit of the carrying value of generation assets.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
 - Carrying value of Generation assets
 - Accounting for the demerger
- These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in



forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter

How our audit addressed the key audit matter

Carrying value of generation assets

Refer note 4 & 5 (\$1,231m)

Generation assets are carried at fair value and the Group's policy is that they are re-valued at least every 3 years by an independent valuer. As a result of the demerger, the directors decided that a full independent valuation of generation assets would be performed at 31 March 2017.

The valuation of generation assets requires a number of significant assumptions, including assumptions about forward electricity prices, future generation volumes, forecast operating costs and the rate used to discount future cash flows. All of these assumptions involve judgements about the future.

The Group has considered the valuation and concluded that it was appropriate to revalue the generation assets to this amount, resulting in an increase of \$132.6m.

We considered this a key audit matter due to the significance of generation assets and the judgement required in determining the key assumptions.

Our procedures included:

- We considered the key assumptions used in the valuation, including the following:
 - Compared the forward electricity price path used for the 2017 valuation to current externally derived market forecast data and corresponding purchase price agreements.
 - Compared the future generation volumes to the historical actual levels achieved.
 - We also considered if there were any changes to the operating cost structure of generation sites that may impact the expected future cash flows by comparing forecast operating costs with historical actual operating costs incurred.
 - Together with our internal valuation experts, we assessed the discount rates used in the valuation by comparing it to our view of an acceptable range based on market data, comparable companies and industry research.

We also performed the following:

- Compared the forecast cash flows for 2018 used in the valuation model with the FY2018 budget formally approved by the Board, and found them to be consistent.
- Assessed the cash flow forecasts utilised in the valuation for each asset by obtaining an understanding of the key factors and underlying drivers for growth, including inflation and market share assumptions, in the context of the Group's future plans.
- Together with our internal valuation experts, we assessed the equity multiples that resulted from the valuation and compared these to

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="284 680 628 705"><i>Accounting for the demerger</i></p> <p data-bbox="284 723 644 748"><i>Refer note 1 – Basis of preparation</i></p> <p data-bbox="284 766 820 869">The Trustpower Group underwent a demerger on 31 October 2016 which split Trustpower Limited into two new Groups being New Trustpower Limited and Tilt Renewables Limited.</p> <p data-bbox="284 887 820 1122">Prior to the demerger Trustpower reorganised the Group in accordance with the Implementation Plan contained within the Separation Deed. The demerger was voted on by the shareholders on 9 September 2016 and was implemented effective 31 October 2016. The reorganisation was accomplished by allocating assets, liabilities and contracts existing under Old Trustpower Limited between the two new Groups.</p> <p data-bbox="284 1140 820 1375">The carve-out financial information of Tilt Renewables for the year ended 31 March 2016 and for the seven month period ended 31 October 2016 has been prepared on a carve-out basis from Old Trustpower's consolidated financial statements, which are prepared in accordance with NZ IFRS, comprising the historical income and expenses, assets and liabilities and cash flows attributable to Tilt Renewables.</p> <p data-bbox="284 1393 820 1574">The reorganisation was a common control transaction, in that the two new Groups were controlled by the same party at the time of the reorganisation. Under common control accounting rules the Group was able to utilise existing book values in the allocation of assets and liabilities to the two new Groups.</p> <p data-bbox="284 1592 820 1666">Tilt Renewables Limited has presented historic financial information as though the demerger had occurred on 1 April 2015.</p> <p data-bbox="284 1684 820 1785">Demerger accounting is included as a key audit matter due to the significance of the transaction to the reporting group and level of audit effort involved.</p>	<p data-bbox="847 488 1426 658">other recent transactions within the industry. Because of the subjectivity involved in determining valuations for individual generation assets and the existence of alternative assumptions we assessed the sensitivity to the overall asset valuation of adjusting the key assumptions described above.</p> <p data-bbox="847 766 1426 869">We assessed the application of the common control accounting principles to the reorganisation by performing our own assessment of the appropriateness of its use.</p> <p data-bbox="847 900 1426 1003">We performed the following procedures to test that the assets and liabilities were appropriately allocated between the two new Groups in preparation for the demerger:</p> <ul data-bbox="895 1021 1426 1301" style="list-style-type: none"> <li data-bbox="895 1021 1426 1099">• Compared the transfer of assets and liabilities to the Implementation Plan and post reorganisation accounting records. <li data-bbox="895 1120 1426 1301">• Sighted supporting documentation that intercompany balances, novations, advances, share redemptions, debt financing and dividends were properly reflected in post reorganisation accounting records and occurred as detailed in the Implementation Plan. <p data-bbox="847 1319 1426 1554">With respect to the pre-demerger activity for the 2016 comparative period and the seven month period ended 31 October 2016, we tested that the financial information contained within the previously audited Old Trustpower Limited consolidation schedules and underlying accounting records was accurately reflected in the Tilt Renewables Limited financial statements, using the lower materiality applied to the standalone group.</p>



Other information

The directors are responsible for the other information. The other information comprises the Chairman's letter, Director's Report, Sustainability Report and Corporate Governance Statement included in the Group's annual report for the year ended 31 March 2017 but does not include the financial report and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will 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 identified above when it becomes available 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.

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

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our auditor's report.



Who we report to

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

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

For and on behalf of:

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Chartered Accountants

Melbourne

11 May 2017

I, Charles Christie am currently a member of the Institute of Chartered Accountants in Australia and my membership number is 77665.

PricewaterhouseCoopers was the audit firm appointed to undertake the audit of Tilt Renewables Limited for the year ended 31 March 2017. I was responsible for the execution of the audit and delivery of our firm's auditor's report. The audit work was completed on 11 May 2017 and an unqualified opinion was issued.

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Charles Christie
Partner