CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

DIRECTORS' REPORT

31 March 2021

The Directors are pleased to present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Tilt Renewables') consisting of Tilt Renewables Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 March 2021.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of the Group as at 31 March 2021 and its financial performance 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 standards have been followed.

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

The Directors have responsibility for the maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This report is made in accordance with a resolution of Directors, pursuant to section 211(1)(k) of the Companies Act 1993.

On behalf of the Directors

Bruce Harker
Director

Fiona Oliver
Director

Company Registration Number 1212113
Dated: 12 May 2021

KEY METRICS

For the year ended 31 March 2021

The following is a summary of Tilt Renewables' key metrics:

Our key metrics	2021	2020
Earnings before interest, tax, depreciation, amortisation and fair value movements ('EBITDAF') ($'000)	74,858	117,526
Profit after tax ($'000)	66,951	478,433
Underlying earnings after tax ($'000) (note 37)	32,654	972
Basic earnings per share (cents per share) (note 33)	16.70	101.75
Dividends paid during the year (cents per share)	-	-
Gearing ratio (note 20)	29%	12%
Financial statements are presented in AUD currency		
Exchange rate (NZD) – profit or loss (average rate)	0.9337	0.9497
Exchange rate (NZD) – balance sheet (year-end rate)	0.9180	0.9749
Generation production		
Australian generation production (GWh)	1,129	1,170
New Zealand generation production (GWh)	711	665
	1,840	**1,835**

Independent auditor's report

To the shareholders of Tilt Renewables Limited

We have audited the consolidated financial statements, which comprise:

- The consolidated statement of financial position as at 31 March 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the accompanying consolidated financial statements of Tilt Renewables Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

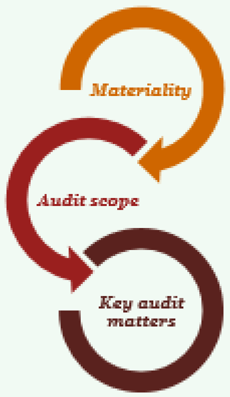
We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional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

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

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: $1.5 million, which represents approximately 2% of the Group's earnings before interest, tax, depreciation, amortisation and fair value movements on financial instruments (EBITDAF).

We chose EBITDAF as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We used a 2% threshold based on our judgement, noting it is within the range of commonly acceptable thresholds.

We have determined that there are two key audit matters and we communicated these to the Audit and Risk Committee:

- Carrying value of generation assets (Note 15 - $756.7m)
- Derivative accounting for power purchase agreements (PPAs) (Note 24 - $187.4m)

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our audit focused on where the Directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Carrying value of generation assets (Note 15 - $756.7m) 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 external valuer or more frequently if there is evidence of a significant change in value. The Waipipi wind farm reached practical completion in March 2021. As a result, the associated generation assets were valued by an external party at that date. The valuation of the Waipipi generation assets required a number of significant assumptions, including assumptions about forward electricity prices, future generation volumes, forecast operating costs and the rate used to discount future cash flows. All of these assumptions involved judgements about the future. The Group has considered the valuation and concluded that it was appropriate to revalue the Waipipi generation assets resulting in an increase of $118.2m, net of previously revalued assets disposed of in the year. A full valuation of the other generation assets was last performed as at 30 March 2020. The Group has concluded as at 31 March 2021 there are no indicators of significant changes in value for other operating generation assets and hence no external valuation has been performed across the existing generation asset portfolio. This was a key audit matter due to the significance of generation assets and the judgement required in determining the key assumptions in the Waipipi valuation.	We obtained the external valuation report for the Waipipi generation assets and considered the key assumptions used in the valuation, including the following: – Compared the forward electricity price path used for the 2021 valuation to current externally derived market forecast data and corresponding purchase price agreements. – Compared the estimated future generation volumes to current, externally derived market data. – Together with PwC valuation experts, we assessed the discount rates used in the valuation to confirm they were reasonable based on market data, comparable companies and industry research. We also performed the following: – Compared the forecast cash flows for 2021 used in the valuation model with the FY2021 budget formally approved by the Board. – Assessed the cash flow forecasts utilised in the valuation 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. - Evaluated the adequacy of the disclosures made, including those related to estimation uncertainty, against the requirements of NZ IFRS. Because of the subjectivity involved in determining valuations for individual generation assets and the existence of alternative assumptions, we assessed the Group's sensitivity analysis over key assumptions in order to assess the potential impact of a range possible outcomes We also evaluated management's assessment that there was no indicators of significant changes in value in the existing generation asset portfolio under NZ IAS 36 *Impairment of Assets*. We have no matters to report from the procedures performed.

Key audit matter	How our audit addressed the key audit matter
Derivative accounting for power purchase agreements (PPAs) (Note 24 - $187.4m) The majority of Australian electricity PPAs are net settled between the Group and energy retailers, due to the mechanism of the Australian energy market which requires electricity to be sold and purchased through the Australia Energy Market Operator (AEMO). The Waipipi wind farm's PPA is also net settled under the agreement. These PPAs are recognised as derivative financial instruments in the Consolidated Statement of Financial Position, requiring revaluation at the end of each reporting period. The valuation of PPAs required a number of significant assumptions, including assumptions about forward electricity prices, future generation volumes, credit adjustments, premiums and the rate used to discount future cash flows. All of these assumptions involve judgements about the future. This was a key audit matter due to the judgement required in determining the key assumptions.	We considered the reasonableness of key assumptions used in the valuation of PPAs, including performing the following procedures, amongst others: – Compared future expected cash flows used in the derivative valuation to signed PPA contracts. – Compared the forward electricity price path used in the derivative valuation to current externally derived market forecast data. – Compared the estimate of the future generation volumes used in the derivative valuation to the historical actual levels achieved and industry data. – Considered the calculation of hedge effectiveness for the derivatives that meet the criteria for hedge accounting. – Assessed the discount rates used in the valuation by comparing them to market data, comparable companies and industry research. - Evaluated the adequacy of the disclosures made, including those related to estimation uncertainty, against the requirements of NZ IFRS. We have no matters to report from the procedures performed.

Information other than the financial statements and auditor's report

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2021, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of audit opinion or assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

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

PricewaterhouseCoopers

Chartered Accountants
12 May 2021

Melbourne

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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Note index

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	Note	2021 $000	2020 $000
Operating revenue and expenses			
Electricity revenue		127,431	168,751
Other operating revenue		898	1,483
Operating revenue	5,6	**128,329**	**170,234**
Generation costs		(23,064)	(30,979)
Employee benefits		(12,908)	(10,572)
Other operating expenses	7	(17,499)	(11,157)
Operating expenses		**(53,471)**	**(52,708)**
Earnings before interest, tax, depreciation, amortisation and fair value movements ('EBITDAF')	6	**74,858**	**117,526**
Net fair value gains/(losses) on financial instruments	7	48,966	(8,514)
Depreciation	7	(40,860)	(72,539)
Operating profit		**82,964**	**36,473**
Interest income	8	3,001	7,174
Interest expense	9	(14,053)	(34,914)
Foreign exchange movements		24,380	(11,621)
Net surplus from sale of subsidiaries	4	-	485,975
Profit before income tax expense		**96,292**	**483,087**
Income tax expense	10	(29,341)	(4,654)
Profit after income tax expense for the year attributable to the shareholders of Tilt Renewables Limited		**66,951**	**478,433**
		Cents	Cents
Basic earnings per share	33	16.70	101.75
Diluted earnings per share	33	16.61	101.75

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 $000	2020 $000
Profit after income tax expense for the year attributable to the shareholders of Tilt Renewables Limited		**66,951**	**478,433**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation gains on generation assets, net of tax	14	85,361	57,944
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge reserves recycled to profit or loss on disposal of subsidiaries, net of tax	21	-	27,702
Differences arising on translation of foreign operations, net of tax	21	(36,490)	15,245
Effective portion of changes in fair value of cash flow hedges, net of tax	21	118,650	(53,127)
Other comprehensive income for the year, net of tax		167,521	47,764
Total comprehensive income for the year attributable to the shareholders of Tilt Renewables Limited		**234,472**	**526,197**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Note	2021 $000	2020 $000
Assets			
Current assets			
Cash and cash equivalents	11	155,269	228,799
Term deposits and restricted cash	12	158,387	449,989
Accounts and other receivables and prepayments	13	21,941	16,061
Receivable from related party	32	1,687	2,920
Derivative financial instruments	23	34,258	4,702
Taxation receivable		-	9,053
Total current assets		**371,542**	**711,524**
Non-current assets			
Derivative financial instruments	23	180,217	4,264
Property, plant and equipment	14	1,444,572	1,014,562
Total non-current assets		**1,624,789**	**1,018,826**
Total assets		**1,996,331**	**1,730,350**
Liabilities			
Current liabilities			
Accounts payable and accruals	15	11,723	57,327
Borrowings	16	29,071	17,363
Lease liabilities	17	11,850	10,348
Derivative financial instruments	23	2,820	5,196
Taxation payable	18	4,563	-
Total current liabilities		**60,027**	**90,234**
Non-current liabilities			
Borrowings	16	460,072	243,543
Lease liabilities	17	125,872	115,163
Derivative financial instruments	23	57,475	67,330
Contract liabilities	19	2,392	2,743
Deferred tax liability	10	126,562	28,055
Total non-current liabilities		**772,373**	**456,834**
Total liabilities		**832,400**	**547,068**
Net assets		**1,163,931**	**1,183,282**
Equity			
Share capital	20	6,270	261,573
Reserves	21	440,737	271,736
Retained earnings		716,924	649,973
Total equity		**1,163,931**	**1,183,282**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

Group	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2019	**259,933**	**268,222**	**127,821**	**655,976**
Profit after income tax expense for the year	-	-	478,433	478,433
Other comprehensive income for the year, net of tax	-	47,764	-	47,764
Total comprehensive income for the year	**-**	**47,764**	**478,433**	**526,197**
Realisation on disposal of subsidiaries	-	(45,344)	43,719	(1,625)
Transactions with shareholders in their capacity as shareholders:				
Equity raise costs	(205)	-	-	(205)
Issue of shares to employees	1,337	-	-	1,337
Conversion of executive shares	508	(508)	-	-
Fair value movements in relation to employee share scheme	-	1,602	-	1,602
Balance at 31 March 2020	**261,573**	**271,736**	**649,973**	**1,183,282**

Group	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2020	**261,573**	**271,736**	**649,973**	**1,183,282**
Profit after income tax expense for the year	-	-	66,951	66,951
Other comprehensive income for the year, net of tax	-	167,521	-	167,521
Total comprehensive income for the year	**-**	**167,521**	**66,951**	**234,472**
Conversion of executive shares	921	(921)	-	-
Issue of shares to employees	1,324	-	-	1,324
Share purchases	(257,548)	-	-	(257,548)
Fair value movements in relation to employee share schemes	-	2,401	-	2,401
Balance at 31 March 2021	**6,270**	**440,737**	**716,924**	**1,163,931**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2021

	Note	2021 $000	2020 $000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		131,041	198,356
Payments to suppliers (inclusive of GST)		(74,854)	(90,377)
Interest paid on leases		(10,515)	-
Net taxation refund/(paid)		704	(11,605)
Net cash from operating activities	30	**46,376**	**96,374**
Cash flows from investing activities			
Interest received		4,268	6,325
Proceeds from disposal of subsidiaries		-	454,962
Payments for property, plant and equipment		(365,440)	(322,907)
Net cash (used in)/from investing activities		**(361,172)**	**138,380**
Cash flows from financing activities			
Equity raise costs	20	-	(344)
Share buy back	20	(257,548)	-
Secured loan proceeds	30	246,391	785,236
Repayment of bank debt and other financing	30	(19,837)	(597,716)
Principal elements of lease payments	30	(1,642)	(3,898)
Interest paid		(18,139)	(52,511)
Proceeds from/(investment in) term deposits and restricted cash		292,043	(232,174)
Net cash from/(used in) financing activities		**241,268**	**(101,407)**
Net (decrease)/increase in cash and cash equivalents		(73,528)	133,347
Cash and cash equivalents at the beginning of the financial year		228,799	94,940
Effects of exchange rate changes on cash and cash equivalents		(2)	512
Cash and cash equivalents at the end of the financial year	11	**155,269**	**228,799**

The accompanying notes form part of these financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

Note 1. General information

The financial statements cover Tilt Renewables Limited as a consolidated entity consisting of Tilt Renewables Limited ('company' or 'parent entity') and the entities it controlled at the end of, or during, the year (collectively referred to as the 'Group' or 'Tilt Renewables'). The financial statements are presented in Australian dollars, which is Tilt Renewables Limited's presentation currency. Tilt Renewables Limited's functional currency is New Zealand dollars.

The principal activities of Tilt Renewables are the development, ownership and operation of electricity generation facilities, as well as the trading of electricity and associated products from renewable energy sources.

Tilt Renewables Limited is a company limited by shares, incorporated and domiciled in New Zealand.

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

On 15 March 2021, Tilt Renewables entered into a Scheme Implementation Agreement (SIA or the Scheme) with Powering Australian Renewables (PowAR) and Mercury NZ Limited (Mercury) (together, the Consortium) under which it is proposed that PowAR will effectively acquire Tilt Renewables' Australian business and Mercury will acquire Tilt Renewables' New Zealand business. Under this Scheme, PowAR would acquire 100% of the ordinary shares of Tilt Renewables for cash consideration of NZ$7.80 per share.

On 16 April 2021, Tilt Renewables amended the SIA with PowAR and Mercury to increase the scheme consideration to NZ$8.10 per share and remove Tilt Renewables' ability to progress any competing proposal that may be presented. This amendment occurred due to a competing proposal materialising in the preceding days.

The SIA is subject to customary conditions, regulatory approvals (including Overseas Investment Office (NZ) and Foreign Investment Review Board (AU)), shareholder approval and ultimately High Court approval in New Zealand.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 12 May 2021. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

Tilt Renewables has adopted all of the new or amended Accounting Standards and Interpretations issued by the External Reporting Board ('XRB') that are mandatory for the current reporting period, none of which have had a material impact on the financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standard is most relevant to Tilt Renewables:

Conceptual Framework for Financial Reporting ('Conceptual Framework')

The International Accounting Standards Board (IASB) has issued the revised Conceptual Framework for Financial Reporting. Amendments were made to apply new definition and recognition criteria for assets, liabilities, income and expenses, and other relevant financial reporting concepts. The revised framework will be used in future standard-setting decisions but no changes have been made to existing International Financial Reporting Standards.

Tilt Renewables adopted the revised Conceptual Framework from 1 April 2020. The revised Framework has not materially impacted the Group given there is no change to existing NZ IFRS and there are no existing transactions that require the application of the revised Framework.

Basis of preparation

Statutory base

Tilt Renewables Limited is a company registered under the Companies Act 1993.

Note 2. Significant accounting policies (continued)

Statement of compliance

The financial statements are prepared in accordance with:

- The accounting policies and methods of computation in the most recent annual financial statements;
- The Financial Markets Conduct Act 2013, and NZX Equity Listing Rules;
- New Zealand Generally Accepted Accounting Practice ('NZ GAAP');
- New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS');
- International Financial Reporting Standards ('IFRS'); and
- Other New Zealand Financial Reporting Standards applicable to for-profit entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, generation assets and plant and equipment at periodic revaluations and derivative financial instruments at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Tilt Renewables' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tilt Renewables Limited as at 31 March 2021 and the results of all subsidiaries for the year then ended.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Tilt Renewables Limited's presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange translation

The assets and liabilities of New Zealand entities are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in Tilt Renewables' normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Rounding of amounts

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management bases its estimates on historical experience and on other various factors, including expectations of future events. The judgements, estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determination of fair value of generation assets

The following assumptions and associated sensitivities formed part of the 2020 fair value assessment. These key assumptions have been reviewed as part of the 2021 fair value assessment exercise and no significant changes have been identified.

A sensitivity analysis around some key inputs is given in the table below. The overall valuation is based on a combination of assumption values that are generally at the midpoint of the range.

The valuation impact is calculated as the movement in the fair value as a result of the change in the assumption and keeping all other valuation inputs constant. In addition to the tests below, a separate sensitivity analysis has been conducted to assess the impact of varying future cash flows for increases or decreases of up to 10% in market prices including beyond current fixed price periods.

Assumption	Low	High	Negative valuation impact AUD $000	Positive valuation impact AUD $000
Australian assets				
Forward electricity price path (including renewable energy credits)	10% reduction in future electricity pricing	10% increase in future electricity pricing	(23,797)	23,883
Generation volume	10% reduction in future production	10% increase in future production	(29,388)	29,505
Operating costs	10% increase in future operating expenditure	10% decrease in future operating expenditure	(10,784)	10,796
Discount rate post tax	7.125%	6.125%	(8,265)	8,854

Assumption	Low	High	Negative valuation impact NZD $000	Positive valuation impact NZD $000
New Zealand assets				
Forward electricity price path (including renewable energy credits)	10% reduction in future electricity pricing	10% increase in future electricity pricing	(32,993)	29,011
Generation volume	10% reduction in future production	10% increase in future production	(53,682)	53,457
Operating costs	10% increase in future operating expenditure	10% decrease in future operating expenditure	(44,432)	44,533
Discount rate post tax	6.75%	5.75%	(41,965)	49,710

Some of these inputs are not based on inputs observable in the market, and are classified within Level 3 of the fair value hierarchy.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Coronavirus (COVID-19) pandemic

The Group has not experienced any material impact attributable to COVID-19 on the operational asset fleet, generation volume, costs or revenue. Appropriate protective measures against the spread of COVID-19 continue to be in place and all people have been kept safe.

Construction sites have been operating under COVID Safe working practices and have effectively mitigated supply chain challenges and site closures. Travel restrictions have impacted some development activities having the effect of slowing progress with some early stage development projects.

While the Group continues to monitor and comply with government-imposed restrictions across both Australia and New Zealand, Tilt Renewables is not expecting on-going COVID-19 measures to have a material adverse impact on the Group's ongoing business or the carrying value of its operational or construction assets. This is due to the long-term nature of Tilt Renewables' assets, with the majority of production covered by long term offtake agreements.

Fair value measurement hierarchy

Tilt Renewables is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. 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. Refer to note 25 for further details.

Estimation of useful lives of assets

Tilt Renewables determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 4. Net surplus from sale of subsidiaries

Group	2021 $000	2020 $000
Net surplus from sale of subsidiaries	**-**	**485,975**

As a result of the strategic review announced in June 2019, Tilt Renewables' sold on 16 December 2020 the 270MW Snowtown 2 Wind Farm to an entity wholly-owned by funds managed by Palisade Investment Partners Limited ('Palisade') and First State Super, for an enterprise value of $1,073 million.

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

For the year ended 31 March 2020, the accounting profit on the sale was $486.0 million, as disclosed above, with net cash proceeds of $470.7 million. These proceeds add to the $86.0 million of unrestricted cash released as a result of the Snowtown 2 Wind Farm refinancing that was completed in October 2019. Total cash inflow for the year ended 31 March 2020 of $556.7 million was provided to Tilt Renewables as a result of the Snowtown 2 Wind Farm transaction.

Note 5. Operating segments

Identification of reportable operating segments

The Executive team of Tilt Renewables, consisting of the Chief Executive Officer, Chief Financial Officer, Executive General Manager Generation, & Trading and the Executive General Manager, Renewable Development (who are identified as the Chief Operating Decision Makers ('CODM')) examines Tilt Renewables' performance from a geographic perspective and has identified the following reporting segments based on the internal reports that are reviewed and used by them:

New Zealand generation	The generation of electricity by wind generation assets across New Zealand
Australian generation	The generation of electricity and large-scale generation certificates by wind generation assets across Australia

The CODM primarily use a measure of EBITDAF adjusted for net surplus from sale of subsidiaries 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 6.

The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Operating segment information

Group - 2021	New Zealand Generation $000	Australia Generation $000	Total $000
Revenue			
Revenue from external customers	43,689	83,742	127,431
Other revenue	433	465	898
Total revenue	**44,122**	**84,207**	**128,329**
EBITDAF	27,024	47,834	74,858
Net fair value gains/(losses) on financial instruments	7,154	41,812	48,966
Depreciation	(13,866)	(26,994)	(40,860)
Net finance cost	(137)	(10,915)	(11,052)
Foreign exchange movements*	24,444	(64)	24,380
Profit before income tax expense	**44,619**	**51,673**	**96,292**
Income tax expense			(29,341)
Profit after income tax expense			**66,951**
Acquisition of non-current assets	188,707	163,967	352,674
Assets			
Segment assets	577,697	1,418,634	1,996,331
Total assets			**1,996,331**
Liabilities			
Segment liabilities	323,175	509,225	832,400
Total liabilities			**832,400**

** Foreign exchange gains/(losses) relate to the retranslation of AUD denominated financing arrangements held by NZD functional currency entities within the Group.*

Note 5. Operating segments (continued)

Group - 2020	New Zealand Generation $000	Australia Generation $000	Total $000
Revenue			
Revenue from external customers	41,611	128,623	170,234
Total revenue	**41,611**	**128,623**	**170,234**
EBITDAF	24,281	93,245	117,526
Net fair value gains/(losses) on financial instruments	462	(8,976)	(8,514)
Depreciation	(21,001)	(51,538)	(72,539)
Net finance cost	(16,560)	(22,801)	(39,361)
Net surplus from sale of subsidiaries	-	485,975	485,975
Profit before income tax expense	**(12,818)**	**495,905**	**483,087**
Income tax expense			478,433
Profit after income tax expense			**478,433**
Acquisition of non-current assets	60,245	420,849	481,094
Assets			
Segment assets	525,517	1,204,833	1,730,350
Total assets			**1,730,350**
Liabilities			
Segment liabilities	104,811	442,257	547,068
Total liabilities			**547,068**

Geographical information

	Sales to external customers		Geographical non-current assets	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Australia	84,207	128,623	904,002	763,444
New Zealand	44,122	41,611	540,570	250,572
	128,329	**170,234**	**1,444,572**	**1,014,016**

The geographical non-current assets above are exclusive of financial instruments.

Note 6. Revenue and other operating expenses

	2021 $000	2020 $000
Operating revenue - contracted	100,562	116,028
Operating revenue - uncontracted	26,869	52,723
Other operating revenue	898	1,483
Total operating revenue	**128,329**	**170,234**

Australia	2021 $000	2020 $000
Electricity revenue	61,164	71,493
Large-scale generation certificates revenue	22,578	56,140
Other operating revenue	465	990
Operating revenue	84,207	128,623
Generation production costs	(13,274)	(18,362)
Employee benefits	(9,770)	(8,612)
Other operating expenses	(13,329)	(8,404)
Operating expenses	(36,373)	(35,378)
EBITDAF	**47,834**	**93,245**

New Zealand	2021 $000	2020 $000
Electricity revenue	43,689	41,118
Other operating revenue	433	493
Operating revenue	44,122	41,611
Generation production costs	(9,790)	(12,617)
Employee benefits	(3,138)	(1,961)
Other operating expenses	(4,170)	(2,752)
Operating expenses	(17,098)	(17,330)
EBITDAF	**27,024**	**24,281**

As at 31 March 2021, Tilt Renewables operates 170MW (2020: 266MW) of wind generation assets throughout Australia as well as 329MW (2020: 196MW) of wind generation assets in New Zealand. Tilt Renewables has assets under construction totalling 336MW (2020: 336MW) in Australia.

Note 6. Revenue and other operating expenses (continued)

Accounting policy for revenue recognition

Revenue is recognised at an amount that reflects the consideration to which Tilt Renewables is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, Tilt Renewables: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Revenues are recognised net of Goods and Services Tax (GST). Revenue is not recognised until all sale contingencies have been resolved.

Tilt Renewables' primary revenue streams relate to the sale of energy and environmental products as follows:

- Sale of electricity generated from Tilt Renewables' wind farms to wholesale customers in Australia and New Zealand; and
- Generation and sale of Large-scale Generation Certificates ('LGCs') in Australia, these are recognised at fair value in the period that they are generated.

Accounting policy for generation development

An ongoing part of Tilt Renewables' business is the development of new generation assets. All costs incurred prior to the assessment to move forward with the building of a new asset are expensed, including exploration, evaluation and consenting costs. In the period when a project transitions into a build phase, all subsequent costs incurred are capitalised if appropriate.

Note 7. Expenses

	2021 $000	2020 $000
Profit before income tax includes the following specific expenses:		
Other operating expenses		
Remuneration of auditors (note 35)	298	470
Directors' fees	845	806
Donations	103	61
Generation development expenditure	8,472	4,758
Other administration costs	7,781	5,062
Total other operating expenses	**17,499**	**11,157**
Superannuation expense	739	725
Share-based payments expense	3,042	2,251
Employee benefits expense excluding superannuation	12,169	9,848
Depreciation	40,022	68,476
Asset disposal	838	4,063
Net fair value (gains)/losses on financial instrument	(48,966)	8,514

Accounting policy for defined contribution superannuation expense

Contributions to superannuation plans are expensed in the period in which they are required.

Note 8. Interest income

	2021 $000	2020 $000
Interest received on cash at bank	3,001	7,174

Accounting policy for interest income

Interest income is recognised as interest accrues using the effective interest method.

Note 9. Interest expense

	2021 $000	2020 $000
Interest paid on bank loans	812	17,909
Interest charges for lease liabilities	10,515	4,833
Other finance costs and fees	2,726	12,172
	14,053	**34,914**

Accounting policy for interest expense

Finance costs attributable to assets under construction are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred. Finance costs comprise interest expense on borrowings calculated using the effective interest method, amortisation of borrowing costs relating to long-term financing facilities and gains and losses on certain hedging instruments that are recognised in profit or loss.

Capitalised interest for the year ended 31 March 2021 associated with Tilt Renewables' qualifying assets (Dundonnell Wind Farm and Waipipi Wind Farm) totalled $17,511,788 (2020: $2,676,274). An additional A$55m and NZ$208m was drawn in the year from Dundonnell and Waipipi debt facilities respectively.

Note 10. Income tax

	2021 $000	2020 $000
Income tax expense		
Current tax	11,705	282
Deferred tax	16,043	4,372
Current tax relating to prior periods	1,593	-
Aggregate income tax expense	29,341	4,654
Deferred tax included in income tax expense comprises:		
Increase in deferred tax liabilities	16,043	4,372
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	96,292	483,087
Tax at the statutory tax rate of 30%	28,888	144,926
Tax effect of non-assessable revenue	-	(140,880)
Reconciliation difference between tax jurisdictions	(849)	(80)
Non-deductible costs	2,360	-
Capitalised interest	(1,058)	-
Current tax relating to prior periods	-	688
Income tax expense	29,341	4,654

	2021 $000	2020 $000
Amounts charged/(credited) directly to equity		
Deferred tax liabilities	84,080	(81,596)

Tilt Renewables is subject to income taxes in Australia and New Zealand.

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

Note 10. Income tax (continued)

Except for Waverley Wind Farm Limited and Waverley Wind Farm (NZ) Holding Limited, Tilt Renewables' wholly owned New Zealand resident subsidiaries are members of a consolidated group for New Zealand income tax and GST purposes. Tilt Renewables' wholly owned Australian resident subsidiaries are currently members of a consolidated group for Australian income tax purposes.

	2021 $000	2020 $000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	(31,169)	(33,553)
Employee benefits	(1,765)	(1,052)
Financial instruments	28,200	(36,638)
Other	1,363	1,119
	(3,371)	(70,124)
Amounts recognised in equity:		
Revaluation of property, plant and equipment	129,933	98,179
Deferred tax liability	126,562	28,055
Movements:		
Opening balance	28,055	105,279
Charged to profit or loss	16,043	4,372
Charged/(credited) to equity	84,080	(81,596)
Foreign exchange	(1,616)	-
Closing balance	**126,562**	**28,055**

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 10. Income tax (continued)

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

Note 11. Cash and cash equivalents

	2021 $000	2020 $000
Cash at bank	155,269	228,799

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 12. Term deposits and restricted cash

	2021 $000	2020 $000
Current assets		
Term deposits and restricted cash	158,153	449,868
Margin account	234	121
	158,387	**449,989**

Accounting policy for term deposits and restricted cash

Term deposits and restricted cash do not meet the definition of cash and cash equivalents as they are not readily convertible into cash or repayable on demand, notwithstanding they are recoverable within the next 6 months.

The margin account is a restricted cash balance held in an electricity trading margin call account, and is not available for general use by Tilt Renewables.

Note 13. Accounts and other receivables and prepayments

	2021 $000	2020 $000
Current assets		
Electricity market and green certificate receivables	17,464	9,936
Other receivables and prepayments	4,477	6,125
	21,941	**16,061**

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for expected credit losses. An allowance for expected credit loss 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 allowance 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 change in expected credit loss is recognised in profit or loss. The expected credit loss criteria used by Tilt Renewables include:

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

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 14. Property, plant and equipment

	2021 $000	2020 $000
Non-current assets		
Generation assets - at fair value	789,322	650,543
Less: Accumulated depreciation	(32,136)	(102,078)
	757,186	548,465
Plant and equipment - at cost	13,940	13,536
Less: Accumulated depreciation	(5,314)	(3,971)
	8,626	9,565
Right-of-use assets - at cost	139,597	14,591
Less: Accumulated depreciation	(8,170)	(1,230)
	131,427	13,361
Work in progress - at cost	547,333	443,171
	1,444,572	**1,014,562**

Note 14. Property, plant and equipment (continued)

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Generation assets $000	Plant and equipment $000	Right of use assets $000	Work in progress $000	Total $000
Balance at 1 April 2019	980,433	9,177	22,669	77,664	1,089,943
Additions*	88,344	-	162	378,336	466,842
Disposals	(554,777)	(171)	(8,038)	-	(562,986)
Revaluation	84,788	-	-	-	84,788
Foreign exchange movements	3,071	2	69	1,309	4,451
Transfers between categories	12,537	1,601	-	(14,138)	-
Depreciation expense	(65,931)	(1,044)	(1,501)	-	(68,476)
Balance at 31 March 2020	548,465	9,565	13,361	443,171	1,014,562
Additions*	4,855	-	9,094	352,674	366,623
Disposals	(4,015)	-	-	-	(4,015)
Revaluation	118,775	-	-	-	118,775
Foreign exchange movements	(7,049)	(5)	(254)	(3,205)	(10,513)
Transfers between categories	128,688	412	116,207	(245,307)	-
Depreciation expense	(32,533)	(1,346)	(6,981)	-	(40,860)
Balance at 31 March 2021	757,186	8,626	131,427	547,333	1,444,572
Closing balance by country - 2021					
Australia	230,578	8,592	118,600	546,232	904,002
New Zealand	526,608	34	12,827	1,101	540,570
	757,186	**8,626**	**131,427**	**547,333**	**1,444,572**
Closing balance by country - 2020					
Australia	357,320	9,503	8,853	388,314	763,990
New Zealand	191,145	62	4,508	54,857	250,572
	548,465	**9,565**	**13,361**	**443,171**	**1,014,562**

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

Note 14. Property, plant and equipment (continued)

Valuations of generation assets and plant and equipment

Waipipi wind farm generation assets were revalued by an external independent third party, using a discounted cash flow methodology, to their estimated market value as a result of achieving practical completion in March 2021. All other operating generation assets in both Australia and New Zealand were revalued at 31 March 2020. The valuation of generation assets is sensitive to the inputs used in the discounted cash flow valuation model, as summarised in note 3. No material impairment indicators or valuation uplifts were noted for previously revalued property, plant and equipment.

Property, plant and equipment stated under the historical cost convention

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

	2021 $000	2020 $000
Property, plant and equipment - at cost	1,053,684	804,452
Less: Accumulated depreciation	(357,655)	(332,337)
	696,029	**472,115**

Accounting policy for property, plant and equipment

Generation assets include land and buildings which are not separately identifiable from other generation assets. Generation assets are revalued, by independent external valuers, every three years or more frequently if there is evidence of a significant change in value or when an asset reaches practical completion.

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.

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

Generation assets	1-8%
Plant and equipment	5-33%
Right of use assets	2-20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to Tilt Renewables. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 15. Accounts payable and accruals

	2021 $000	2020 $000
Current liabilities		
Employee entitlements	1,434	1,120
Interest accruals	726	537
Professional service fee accruals	1,244	2,907
Construction accruals	15	32,525
Operations and maintenance accruals	1,050	1,730
Accounts payable	2,003	11,866
GST payable	1,031	685
Other accruals	4,220	5,957
	11,723	**57,327**

Refer to note 24 for further information on financial instruments and financial risk management.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to Tilt Renewables prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted.

Accounting policy for employee entitlements

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Other long-term employee benefits

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

Note 16. Borrowings

	2021 $000	2020 $000
Repayment terms		
Less than one year	30,860	19,335
One to two years	25,237	30,226
Two to five years	304,951	114,091
Over five years	136,742	107,946
Facility establishment costs	(8,647)	(10,692)
	489,143	**260,906**
Undrawn facilities		
Less than one year	15,000	-
One to two years	-	11,500
Two to five years	32,931	254,796
Over five years	-	40,931
	47,931	**307,227**
Facility and associated borrowing limit		
Tararua EKF Facility II - expiry date: 12 July 2021	3,636	11,585
Mahinerangi EKF Facility III - expiry date: 30 November 2026	16,830	21,124
Dundonnell Syndicated Facility - expiry date: 13 November 2023	108,474	113,333
Dundonnell EKF Facility - expiry date: 21 March 2037	180,864	186,667
Waipipi Syndicated Facility - expiry date: 30 September 2024	220,917	234,615
Working Capital Facility	15,000	15,000
	545,721	**582,324**
Weighted average interest		
Australian facilities	5.2%	5.4%
New Zealand facilities	2.7%	2.6%

Refer to note 25 for further information on financial instruments and financial risk management.

Tilt Renewables borrows under syndicated bank debt facilities. The facilities require Tilt Renewables to operate within defined performance and debt gearing ratios. The borrowing arrangements may also create restrictions over the sale or disposal of certain assets unless lender consent is obtained. Throughout the period Tilt Renewables has complied with all debt covenant requirements in these agreements.

Tilt Renewables signed the non-recourse Waipipi Wind Farm project finance facility agreement to fund the construction of the Waipipi Wind Farm which reached financial close in September 2019. The project achieved the practical completion in March 2021 and is anticipating the conversion from construction to term facility in April 2021.

Note 16. Borrowings (continued)

Accounting policy for borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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

Note 17. Lease liabilities

	2021 $000	2020 $000
Current liabilities		
Lease liability	11,850	10,348
Non-current liabilities		
Lease liability	125,872	115,163
	137,722	**125,511**

Lease expense recognised in profit or loss, is as follows:

	2021 $000	2020 $000
Interest charges for lease liabilities (note 9)	10,515	4,833
Expense relating to short-term leases (included in generation costs and other operating expenses)	-	580
Expense relating to leases of low-value that are not shown above as short-term leases (included in other operating expenses)	290	240
Expense relating to variable lease payments not included in lease liabilities (included in generation costs)	-	2,304
	10,805	**7,957**

Refer to note 24 for further information on financial instruments and financial risk management.

Refer to the statement of cash flows for repayment of lease liabilities.

Note 17. Lease liabilities (continued)

Accounting policy for lease liabilities

NZ IFRS 16 Leases replaced NZ IAS 17 Leases and was adopted by the Group in the prior year.

The Group assess whether a contract is or contains a lease at inception of a contract. 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. In such instances, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements, except for short term leases and low value leased assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liabilities are measured at the present value of future lease payments, discounted at the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate applicable to that lease (or portfolio of leases). The lease liability is separately disclosed on the statement of financial position. The liabilities which will be repaid within twelve months are recognised as current and the liabilities which will be repaid in excess of twelve months are recognised as non-current. The lease liability is subsequently measured by reducing the balance to reflect the principal lease repayments made and increasing the carrying amount by the interest on the lease liability.

The associated right-of-use assets were measured at the amount equal to the lease liability. The assets are subsequently measured under the cost model with any accumulated depreciation and impairment losses applied against the right-of-use asset. The Group depreciates the asset over the shorter period of either the useful life of the asset or the lease term. The depreciation starts at the commencement date of the lease and the carrying value of the asset is adjusted to reflect the accumulated depreciation balance.

The right-of-use assets are presented within property, plant and equipment in the statement of financial position.

Note 18. Taxation payable

	2021 $000	2020 $000
Current liabilities		
Income tax payable	4,563	-

Note 19. Contract liabilities

	2021 $000	2020 $000
Non-current liabilities		
Contract liabilities	2,392	2,743

Accounting policy for contract liabilities

Contract liabilities represent Tilt Renewables' obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when Tilt Renewables recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before Tilt Renewables has transferred the goods or services to the customer.

Note 20. Share capital

	2021 Shares	2020 Shares	2021 $000	2020 $000
Ordinary shares - fully paid	376,833,884	470,218,875	6,270	261,573

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 April 2019	469,459,686	259,933
Equity raise costs		-	(205)
Shares issued under Employee Share Plan and Development Business Incentive Plan	16 May 2019	601,599	1,337
Conversion of executive shares	5 December 2019	157,590	508
Balance	31 March 2020	470,218,875	261,573
Conversion of executive shares		271,459	921
Shares issued under Employee Share Plan and Development Business Incentive Plan		387,352	1,324
Returned during the year		(94,043,802)	(257,548)
Balance	**31 March 2021**	**376,833,884**	**6,270**

Capital risk management

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 capital risk management policy remains unchanged from the 2020 Annual Report.

Note 20. Share capital (continued)

The gearing ratio at the reporting date was as follows:

	2021 $000	2020 $000
Current liabilities - borrowings (note 16)	29,071	17,363
Current liabilities - lease liabilities (note 17)	11,850	10,348
Non-current liabilities - borrowings (note 16)	460,072	243,543
Non-current liabilities - lease liabilities (note 17)	125,872	115,163
Total borrowings	626,865	386,417
Current assets - cash and cash equivalents (note 11)	(155,269)	(228,799)
Net debt	471,596	157,618
Total equity	1,163,931	1,183,282
Total capital	**1,635,527**	**1,340,900**
Gearing ratio	29%	12%

Accounting policy for share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 21. Reserves

	2021 $000	2020 $000
Foreign currency translation reserve	(27,106)	9,384
Cash flow hedge reserve	73,915	(44,735)
Share-based payments reserve	3,040	1,560
Revaluation reserve	390,888	305,527
	440,737	**271,736**

Note 21. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency translation reserve $000	Cash flow hedge reserve $000	Other reserves $000	Revaluation reserve $000	Total $000
Balance at 1 April 2019	(5,861)	(19,310)	466	292,927	268,222
Revaluation gains on generation assets	-	-	-	82,696	82,696
Differences arising on translation of foreign operations	15,685	-	-	-	15,685
Effective portion of changes in fair value of cash flow hedges	-	(75,517)	-	-	(75,517)
Tax effect on the above	(440)	22,390	-	(24,752)	(2,802)
Realisation on disposal of subsidiaries	-	-	-	(45,344)	(45,344)
Cash flow hedge reserves recycled to profit or loss on disposal of subsidiaries, net of tax	-	27,702	-	-	27,702
Shares issued under Long-Term Incentive Plan	-	-	(508)	-	(508)
Fair value movements in relation to employee share scheme	-	-	1,602	-	1,602
Balance at 31 March 2020	9,384	(44,735)	1,560	305,527	271,736
Fair value changes in property, plant and equipment	-	-	-	118,775	118,775
Tax effect on the above	-	-	-	(33,414)	(33,414)
Differences arising on translation of foreign operations	(36,490)	-	-	-	(36,490)
Effective portion of changes in fair value of cash flow hedges	-	169,316	-	-	169,316
Tax effect on the above	-	(50,666)	-	-	(50,666)
Conversion of executive shares	-	-	(921)	-	(921)
Fair value movements in relation to employee share scheme	-	-	2,401	-	2,401
Balance at 31 March 2021	**(27,106)**	**73,915**	**3,040**	**390,888**	**440,737**

Note 22. Dividends, imputation and franking credit account

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Imputation and franking credits

	2021 $000	2020 $000
Imputation credits available for use in subsequent reporting periods	7,826	7,595
Franking credits available for use in subsequent reporting periods	46,234	48,263
	54,060	**55,858**

Note 23. Derivative financial instruments

	2021 $000	2020 $000
Current assets		
Foreign exchange contracts	-	1,573
Power purchase agreements	33,664	-
Energy derivatives	594	3,129
	34,258	**4,702**
Non-current assets		
Power purchase agreements	180,217	4,264
Current liabilities		
Interest rate swaps	(85)	(3,540)
Power purchase agreements	(2,735)	(1,293)
Energy derivatives	-	(363)
	(2,820)	**(5,196)**
Non-current liabilities		
Interest rate swaps	(33,762)	(56,826)
Power purchase agreements	(23,713)	(10,504)
	(57,475)	**(67,330)**
Net derivative asset/(liability)	**154,180**	**(63,560)**

Refer to note 7 for gain or loss recognised in profit or loss.

Refer to note 24 for further information on financial instruments and financial risk management.

Refer to note 25 for further information on fair value measurement.

Note 23. Derivative financial instruments (continued)

Accounting policy for derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

Cash flow hedges are used to cover Tilt Renewables' exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedge reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness at each reporting date both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Note 24. Financial instruments and financial risk management

Financial risk management objectives

Tilt Renewables' activities expose it to a variety of risks: generation risk (including exchange rate risk, electricity price risk, volume risk credit risk and damage to generation assets) and funding risks (including interest rate risk, credit risk, refinancing risk and liquidity risk). Tilt Renewables' overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Tilt Renewables enters into agreements to manage its power purchase agreement, electricity, interest rate, and foreign exchange risks. In accordance with Tilt Renewables' risk management policies, Tilt Renewables does not hold or issue derivative financial instruments for speculative purposes. However, certain derivatives do not qualify for hedge accounting and are required to be accounted for at fair value through profit or loss.

Generation risks

Exchange rate risk

Tilt Renewables typically contracts with local and international suppliers when building a new generation asset. Some of these suppliers may require payment to be made in a foreign currency. To manage the risk of a moving foreign exchange rate, Tilt Renewables will fully hedge transactions over $500,000 in accordance with Tilt Renewables' Treasury Policy. The total notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2021 was $nil (2020: $50.593,936 million).

As at 31 March 2021, approximately 46% (2020: 19%) of drawn Tilt Renewables debt is denominated in New Zealand dollars.

Electricity price risk

As at 31 March 2021, in Australia over 80% (2020: 41%) and in New Zealand 95% (2020: 100%) of electricity output is contracted to electricity retailers which ensures Tilt Renewables receives a fixed price for this portion of its generation. This risk management strategy assumes that the current electricity wholesale markets operating in New Zealand and Australia, including the renewable energy credit market, will continue to do so in the future.

Volume risk

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

Note 24. Financial instruments and financial risk management (continued)

Credit risk

A large proportion of the Australian and New Zealand revenue comes from four counterparties. In Australia, one of these is the Australian Electricity Market Operator and the other two are major electricity retailers. In New Zealand the two counterparties are Trustpower (a major electricity retailer) and Genesis Energy (a major electricity generator and retailer). Damage to generation assets risk

There is potential for Tilt Renewables to sustain significant losses through damage to its generation plant and the resulting loss of earnings. The major portion of this risk has been mitigated by taking out appropriate insurance policies with insurers of high creditworthiness.

Funding risks

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 its interest costs. 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'.

The aggregate notional principal amounts of the outstanding interest rate derivative instruments at 31 March 2021 was $272 million (2020: $296 million) of Australian and $213 million (2020: $171 million) of New Zealand principal amounts.

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

At the reporting date, if interest rates 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.

	2021 $000	2020 $000
(Decrease) to profit of a 100 basis point decrease in interest rates	(21)	(623)
Increase to profit of a 100 basis point increase in interest rates	21	592
(Decrease) to equity of a 100 basis point decrease in interest rates	(27,580)	(35,940)
Increase to equity of a 100 basis point increase in interest rates	24,984	32,435

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

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. Refer to Note 17 for debt maturity profile.

Credit risk

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

Credit risk exposure is managed using credit risk management policies which provide credit exposure limits based on the credit worthiness of counterparties. Tilt Renewables' exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Derivative counterparties are limited to organisations in the energy industry. Tilt Renewables also utilises International Swaps and Derivative Association ('ISDA') agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties.

Note 24. Financial instruments and financial risk management (continued)

Liquidity risk

Tilt Renewables' 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. Tilt Renewables operates under a 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.

Remaining contractual maturities

The following tables detail Tilt Renewables' remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Group - 2021	Up to 6 months $000	Between 6-12 months $000	Between 1-2 years $000	Between 2-5 years $000	Over 5 years $000	Remaining contractual maturities $000
Non-derivatives						
Non-interest bearing						
Accounts payable and accruals	7,571	3,308	535	10	319	11,743
Interest-bearing						
Lease liabilities	6,043	5,650	22,483	36,650	274,650	346,066
Secured loans	17,946	12,914	25,237	327,193	136,742	520,032
Total non-derivatives	**32,160**	**21,872**	**48,255**	**363,853**	**411,701**	**877,841**
Derivatives						
Interest rate swaps	4,996	4,748	8,538	12,719	3,854	34,855
Power purchase agreements	1,597	1,676	1,114	19,956	148,837	173,180
Total derivatives	**6,593**	**6,424**	**9,652**	**32,675**	**152,691**	**208,035**

Note 24. Financial instruments and financial risk management (continued)

Group - 2020	Up to 6 months $000	Between 6-12 months $000	Between 1-2 years $000	Between 2-5 years $000	Over 5 years $000	Remaining contractual maturities $000
Non-derivatives						
Non-interest bearing						
Accounts payable and accruals	57,424	97	194	776	1,579	60,070
Interest-bearing						
Lease liability	5,952	5,355	21,131	33,527	263,759	329,724
Secured loans	5,486	16,148	31,804	363,612	148,877	565,927
Total non-derivatives	**68,862**	**21,600**	**53,129**	**397,915**	**414,215**	**955,721**
Derivatives						
Interest rate swaps	4,099	4,259	8,817	21,237	24,519	62,931
Energy derivatives	338	25	-	-	-	363
Power purchase agreements	561	781	158	2,362	15,106	18,968
Total derivatives	**4,998**	**5,065**	**8,975**	**23,599**	**39,625**	**82,262**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 25. Fair value measurement

Fair value hierarchy

The following tables detail Tilt Renewables' assets and liabilities which are measured or disclosed at fair value using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Note 25. Fair value measurement (continued)

Group - 2021	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets				
Derivative financial instruments - energy derivatives	-	594	-	594
Derivative financial instruments - power purchase agreements	-	-	213,881	213,881
Total assets	-	594	213,881	214,475
Liabilities				
Derivative financial instruments - interest rate swaps	-	(33,847)	-	(33,847)
Derivative financial instruments - power purchase agreement	-	(26,448)	-	(26,448)
Total liabilities	**-**	**(60,295)**	**-**	**(60,295)**

Group - 2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets				
Derivative financial instruments - foreign exchange contracts	-	1,573	-	1,573
Derivative financial instruments - energy derivatives	-	3,129	-	3,129
Derivative financial instruments - power purchase agreement	-	-	4,264	4,264
Total assets	-	4,702	4,264	8,966
Liabilities				
Derivative financial instruments - interest rate swaps	-	(60,366)	-	(60,366)
Derivative financial instruments - energy derivatives	-	(363)	-	(363)
Derivative financial instruments - power purchase agreements	-	-	(11,797)	(11,797)
Total liabilities	**-**	**(60,729)**	**(11,797)**	**(72,526)**

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

The fair value of loans is not materially different to the carrying values.

The fair value of derivative investments is recognised at Level 2 fair value for interest rate swaps and electricity derivatives and Level 3 fair value for the Australian and New Zealand power purchase agreements. Tilt Renewables' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. Tilt Renewables did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 March 2021.

Note 25. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3

The fair values of financial assets and financial liabilities are determined based on the financial instrument. 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;
- other financial assets and liabilities are calculated using discounted cash flow analysis based on market-quoted rates; and
- 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; and
- discount rates.

The following table summarises the valuation inputs of Tilt Renewables' financial instruments:

Valuation Input	Source
Interest rate forward price curve	Published market swap rates
Foreign exchange forward prices	Published spot foreign exchange rates
Electricity forward price curve	Market quoted prices where available and management's best estimate based on its view of the long run marginal cost of new generation where no market quoted prices are available
Discount rate for valuing interest rate derivatives	Published market interest rates as applicable to the remaining life of the instrument
Discount rate for valuing forward foreign exchange contracts	Published market rates as applicable to the remaining life of the instrument
Discount rate for valuing electricity price derivatives	Assumed counterparty cost of funds ranging from 2% to 3% (2020: 3.3% to 4.1%)

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

The following table summarises the methods that are used to estimate the fair value of Tilt Renewables' financial instruments:

Instrument	Fair value methodology
Financial instruments traded in active markets	Quoted market prices at reporting date.
Long-term debt and other financial assets	Quoted market prices, dealer quotes for similar instruments, or present value of estimated future cash flows.
Interest rate swaps	Present value of expected future cash flows of these instruments. Key variables include market pricing data, discount rates and credit risk of Tilt Renewables or counterparty where relevant. Variables reflect those which would be used by market participants to execute and value the instruments.

Note 25. Fair value measurement (continued)

Structured electricity forwards which are not regularly traded and with no observable market price	The valuation models for long-term electricity derivatives reflect the fair value of the avoided costs of construction of the physical assets which would be required to achieve an equivalent risk management outcome for Tilt Renewables. The methodology takes into account all relevant variables including forward commodity prices, physical generation plant variables, the risk-free discount rate and related credit adjustments, and asset lives. The valuation models for short-term electricity derivatives include premiums for lack of volume in the market relative to the size of the instruments being valued.
Australian power purchase agreement derivatives	The discounted cash flow methodology reflects the difference in the contract price and long-term forecast electricity pool prices which are not observable in the market. The valuation also requires estimation of forecast electricity volumes, the risk-free discount rate and related credit adjustments.

Level 3 assets and liabilities

Valuation inputs and relationships to fair value

The following is a summary of the main inputs and assumptions used by Tilt Renewables in measuring the fair value of Level 3 financial instruments.

Inputs	Assumptions
Discount rates	Based on observable market rates for risk-free instruments of the appropriate term.
Credit adjustments	Applied to the discount rate depending on the asset/liability position of a financial instrument to reflect the risk of default by either Tilt Renewables or a specific counterparty. Where a counterparty specific credit curve is not observable, an estimated curve is applied that takes into consideration the credit rating of the counterparty and its industry.
Forward commodity prices	Including both observable external market data and internally derived forecast data. For certain long term electricity derivatives, internally derived forecast spot pool prices and renewable energy certificate prices are applied as market prices are not readily observable for the corresponding term.
Generation volumes	Forecast generation volumes over the life of the instrument based on historical actuals.
Liquidity premiums	Applied to allow for the lack of volume in the market relative to the size of the instruments being valued.
Strike premiums	Applied to allow for instances where instruments have different strike prices to those associated with instruments that have observable market prices.

Note 25. Fair value measurement (continued)

The use of different methodologies or assumptions could lead to different measurements of fair value. For Level 3 fair value measurements, a sensitivity analysis around the key unobservable inputs is given in the table below:

Assumption	Low	High	Negative valuation impact $000	Positive valuation impact $000
Forward electricity price path	10% increase in future electricity pricing	10% reduction in future electricity pricing	(47,233)	66,694
Generation volume	10% reduction in future production	10% increase in future production	(18,743)	18,743
Discount rate pre tax	8.5%	7.5%	(3,571)	3,720

The fair value of generation assets is disclosed in note 14.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 26. Contingent liabilities and legal matters

There are no contingent liabilities or legal matters at 31 March 2021.

Court proceedings in relation to the Australian Energy Regulator were settled during the period.

Note 27. Capital and other commitments

	2021 $000	2020 $000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment *	9,923	430

** Relates to the remaining construction costs for the Dundonnell Wind Farm project.*

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2. Refer to note 29 for subsidiaries that are party to a deed of cross guarantee.

Name	Principal place of business/ Country of incorporation	Principal activities	Ownership interest 2021 %	Ownership interest 2020 %
Blayney and Crookwell Wind Farm Pty Ltd	Australia	Electricity generation	100%	100%
Dundonnell Wind Farm Pty Ltd	Australia	Electricity generation	100%	100%
Dysart 1 Pty Ltd	Australia	Generation development	100%	100%
Fiery Creek Wind Farm Holdings Pty Ltd	Australia	Generation development	100%	100%
Fiery Creek Wind Farm Pty Ltd	Australia	Generation development	100%	100%
Liverpool Range Wind Farm Holdings Pty Ltd	Australia	Holding company	100%	100%
Liverpool Range Wind Farm Pty Ltd	Australia	Generation development	100%	100%
Morwell Energy Hub Pty Ltd	Australia	Generation development	100%	-
Nebo 1 Pty Ltd	Australia	Generation development	100%	100%
Rye Park Renewable Energy Pty Ltd	Australia	Generation development	100%	-
Rye Park Holdings Pty Ltd	Australia	Holding company	100%	-
Salt Creek Wind Farm Pty Ltd	Australia	Generation development	100%	100%
Snowtown North Holdings Pty Ltd	Australia	Holding company	100%	100%
Snowtown North Solar Pty Ltd	Australia	Generation development	100%	100%
Snowtown Wind Farm Pty Ltd	Australia	Electricity generation	100%	100%
Tararua Wind Power Limited	New Zealand	Electricity generation and development	100%	100%
Tilt Renewables Australia Pty Ltd	Australia	Holding company and development	100%	100%
Tilt Renewables Financing Partnership	Australia	Financial services	100%	100%
Tilt Renewables Insurance Ltd	New Zealand	Financial services	100%	100%
Tilt Renewables Investments Pty Ltd	Australia	Financial Services	100%	-
Tilt Renewables Market Services Pty Ltd	Australia	Financial services	100%	100%
Tilt Renewables Retail Pty Ltd (previously Wingeel Wind Farm Pty Ltd on 6 March 2020)	Australia	Generation development	100%	100%
Waddi Wind Farm Pty Ltd	Australia	Generation development	100%	100%
Waverley Wind Farm (NZ) Holding Limited (incorporated 5 July 2019)	New Zealand	Holding company	100%	100%
Waverley Wind Farm Limited	New Zealand	Generation development	100%	100%

Note 29. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Tilt Renewables Limited

Tilt Renewables Australia Pty Ltd

Tilt Renewables Market Services Pty Ltd

Tilt Renewables Investments Pty Ltd

Snowtown Wind Farm Pty Ltd

Blayney and Crookwell Wind Farm Pty Ltd

Church Lane Wind Farm Pty Ltd

Dundonnell Wind Farm Pty Ltd

Salt Creek Wind Farm Pty Ltd

Tilt Renewables Retail Pty Ltd

Waddi Wind Farm Pty Ltd

Rye Park Renewable Energy Pty Ltd

Nebo 1 Pty Ltd

Dysart 1 Pty Ltd

Snowtown North Solar Pty Ltd

Liverpool Range Wind Farm Pty Ltd

Fiery Creek Wind Farm Pty Ltd

Fiery Creek Wind Farm Holdings Pty Ltd

Tararua Wind Power Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Tilt Renewables Limited, they also represent the 'Extended Closed Group'.

Note 30. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	2021 $000	2020 $000
Profit after income tax expense for the year	**66,951**	**478,433**
Adjustments for:		
Depreciation and amortisation	40,860	72,539
Share-based payments	3,043	1,554
Movement in derivative financial instruments taken to profit or loss	(48,966)	(19,407)
Movement in deferred tax liability excluding transfers to reserves	16,043	3,052
Foreign exchange (gains)/losses	(24,380)	11,621
Payments to suppliers and employees taken to the balance sheet	-	(15,492)
Interest received	(4,268)	(6,325)
Gain on sale of subsidiaries	-	(485,975)
Interest paid	627	42,891
Movements in working capital:		
(Increase)/decrease in accounts receivable and prepayments	(6,994)	2,707
(Increase)/decrease in taxation receivable	13,616	(8,401)
Increase/(decrease) in accounts payable and accruals excluding amounts relating to capital expenditure	(10,156)	19,177
Net cash from operating activities	**46,376**	**96,374**

Note 30. Cash flow information (continued)

Changes in liabilities arising from financing activities

Group	Borrowings $000	Lease liabilities $000	Total $000
Balance at 1 April 2019	666,793	22,913	689,706
Secured loan proceeds	785,236	-	785,236
Repayment of bank debt and other financing	(597,716)	-	(597,716)
Principal elements of lease repayments	-	(3,898)	(3,898)
Disposal of subsidiary	(592,731)	-	(592,731)
Total cash flows	**(405,211)**	**(3,898)**	**(409,109)**
Non-cash changes:			
Adoption of NZ IFRS 16	-	22,669	22,669
Property, plant and equipment additions relating to leases	-	88,344	88,344
Property, plant and equipment disposals relating to leases	-	(4,517)	(4,517)
Amortisation of borrowing costs	1,845	-	1,845
Impact of foreign exchange	(2,521)	-	(2,521)
Total non-cash charges	**(676)**	**106,496**	**105,820**
Balance at 31 March 2020	260,906	125,511	386,417
Secured loan proceeds	246,391	-	246,391
Repayment of bank debt and other financing	(19,837)	-	(19,837)
Principal elements of lease repayments	-	(1,642)	(1,642)
Total cash flows	**226,554**	**(1,642)**	**224,912**
Non-cash charges:			
Property, plant and equipment additions relating to leases	-	13,949	13,949
Amortisation of borrowing costs	1,985	-	1,985
Impact of foreign exchange	(302)	(96)	(398)
Total non-cash charges	**1,683**	**13,853**	**15,536**
Balance at 31 March 2021	**489,143**	**137,722**	**626,865**

Note 31. Key management personnel disclosures

Compensation

The aggregate compensation made to key management personnel of Tilt Renewables' is set out below:

	2021 $000	2020 $000
Annual remuneration (including short-term incentives)	2,553,412	2,882,000
Share-based payments	1,661,273	588,967
	4,214,685	**3,470,967**

Note 32. Related party transactions

Parent entity and controlling shareholders

Tilt Renewables Limited is the parent entity.

Tilt Renewables' is controlled by Infratil 2018 Limited (incorporated in New Zealand) which owns 65.5% of Tilt Renewables Limited's voting shares, Mercury NZ Limited owns 19.9% and the residual balance of 14.6% 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

Mr V Hawksworth became a Director of Tilt Renewables Limited on 1 April 2020 and holds the role of Chief Executive Officer of Mercury NZ Limited. Mr F Whineray was a Director of Tilt Renewables Limited from 19 July 2019 until 31 March 2020, during which time he also held the role of Chief Executive Officer of Mercury NZ Limited.

Tilt Renewables Limited has offtake agreements with Trustpower which is a related party by virtue of its common ownership by Infratil Limited. Mr G Swier is a Director of Tilt Renewables Limited and was a Director of Trustpower until 30 September 2020.

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 (2020: $Nil), and there are no debt amounts outstanding at 31 March 2021 (2020: $Nil).

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel

Disclosures relating to key management personnel are set out in note 31.

Transactions with related parties

The following transactions occurred with related parties:

	2021	2020
Sale of goods and services:		
Supply of electricity to related parties	36,149,461	39,499,000
Other transactions:		
Connection and market fees supplied by a related party	480,912	380,000
Directors' fees paid to related party senior executives	493,000	449,812
Directors' expenses paid to related party senior executives	1,728	45,000

Note 32. Related party transactions (continued)

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2021	2020
Current receivables:		
Supply of electricity and services to related parties	1,687,471	2,920,000

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 33. Earnings per share

	2021 $000	2020 $000
Profit after income tax attributable to the shareholders of Tilt Renewables Limited	66,951	478,433
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	400,903,338	470,218,875
Weighted average number of ordinary shares used in calculating diluted earnings per share	400,903,338	470,218,875
	Cents	**Cents**
Basic earnings per share	16.70	101.75
Diluted earnings per share	16.61	101.75

Refer to note 37 for underlying earnings per share.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of Tilt Renewables Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 34. Share-based payments

Members of Tilt Renewables' Executive team and certain other employees (together defined as key management personnel) are eligible to participate in the Performance Rights Plan. The scheme was implemented on 3 February 2017 where, each performance right entitles the participants to have one fully paid share in Tilt Renewables Limited transferred or issued to the participant, subject to the satisfaction of the applicable performance conditions and the terms and conditions of the plan.

Key management personnel are also eligible to participate in the Development Business Incentive Plan (DBI). The DBI scheme is an at-risk element of annual remuneration which is paid in restricted shares in Tilt Renewables. Recipients are awarded shares based on the achievement of value increases as a result of investments in the development pipeline. This incentive is intended to drive performance in the development side of the business, where actual results for shareholders often materialise many years after the annual progress is made.

Included within the Chief Executive and other key management personnel short-term incentive remuneration is the cost associated with the issue of restricted shares in accordance with this scheme. This cost has increased against the previous financial year due to achievement of the non-market conditions associated with the Group's development pipeline and the increase in the share price over the year.

As a result of recent market announcements relating to the SIA, amongst other factors, the Tilt Renewables share price has experienced a marked increase in the final quarter of the financial year. Due to the market-based conditions associated with the LTI scheme, no revaluation of LTI options has been performed as at 31 March 2021. Should a change in control occur as a result of the SIA receiving the regulatory, shareholder and High Court approvals, the value and related cost of existing LTI's would increase accordingly.

On 3 August 2020, 271,459 shares were exercised at a price of NZ$3.39 in accordance with the Performance Rights Plan.

Set out below are summaries of performance rights granted under the plan:

	Number of options	
	2021	2020
Outstanding at the beginning of the financial year	1,436,046	1,331,406
Granted	897,201	489,039
Forfeited	(127,069)	(226,809)
Exercised	(271,459)	(157,590)
Outstanding at the end of the financial year	**1,934,719**	**1,436,046**

Refer to note 7 for share-based payment expense during the financial year.

Accounting policy for share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether Tilt Renewables receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Note 34. Share-based payments (continued)

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of Tilt Renewables or the employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of Tilt Renewables or the employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 35. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company:

	2021 $000	2020 $000
Audit and other assurance services		
Audit services	279	223
Other assurance services	15	54
Total audit and other assurance services	**294**	**277**
Taxation services		
Tax compliance services and review of company income tax returns	-	49
Tax compliance advice	4	96
Total taxation services	4	145
Other services		
Consulting services – other	-	48
Total remuneration of PricewaterhouseCoopers	**298**	**470**

Note 36. New Accounting Standards and Interpretations not yet mandatory or early adopted

The Group has applied all of the new and revised Standards and Interpretations issued by the New Zealand External Reporting Board that are relevant to the Group's operations and effective for the current accounting period. Their application has not had any material impact on the Group's assets, profits or earnings per share for the year ended 31 March 2021. There are no new standards and interpretations that are issued, but not yet effective that are expected to have a material impact on the Group in the current or future reporting periods.

Note 37. Non-GAAP measures

Underlying earnings

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.

Earnings before interest, tax, depreciation, amortisation and fair value movements ('EBITDAF')

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

	2021 $000	2020 $000
Profit after income tax attributable to the shareholders of Tilt Renewables Limited	66,951	478,433
Net fair value losses on financial instruments (net of tax)	(34,297)	5,960
Net surplus from sale of subsidiaries	-	(485,975)
Underlying earnings after tax	**32,654**	**(1,582)**
	Number	**Number**
Weighted average number of ordinary shares used in calculating underlying earnings per share	400,903,338	470,218,875
	Cents	**Cents**
Underlying earnings per share	8.15	(0.34)

Note 38. Net tangible assets per share

	2021 $000	2020 $000
Total net assets	1,163,931	1,183,282
Less: Right of use assets	(131,427)	(123,017)
Net tangible assets attributed to shareholders of Tilt Renewables Limited	**1,032,504**	**1,060,265**
	Number	**Number**
Number of ordinary shares on issue	376,833,884	470,218,875
	Cents	**Cents**
Net tangible assets per share	2.74	2.25

Note 39. Events after the reporting period

On 16 April 2021, Tilt Renewables amended the Scheme with PowAR and Mercury to increase the scheme consideration to NZ$8.10 per share and remove Tilt Renewables' ability to progress any competing proposal that may be presented. This amendment occurred due to a competing proposal materialising in the preceding days.

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