

Interim Report

For the 6 months ended
31 December 2021



NZ Windfarms Ltd
POWERED BY NATURE

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Key Metrics

Net Electricity Revenue¹

\$5.1 m

(HY21 \$5.4m)

EBITDAF²

\$2.9 m

(HY21 \$3.2m)



NPAT³

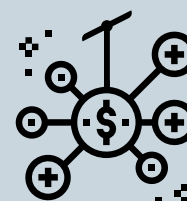
\$4.4 m

(HY21 \$0.3m)

Operating cashflow⁴

\$2.7 m

(HY21 \$3.1m)



Generation

56.1 GWh

(HY21 64.9GWh)

Net GWAP⁵

\$91.13 per MWh

(HY21 \$83.09 per MWh)



H1 Average Wind Speed

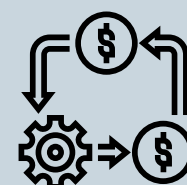
9.5 m/s

(HY21 10.2 m/s)

Availability

97.5%

OEM Benchmark: 95%



Lost Time Injuries (LTI)

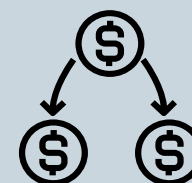
1 x LTI

(HY21: Zero)

Q2 FY22 Dividend (announced today)
to be paid 4 April 2022

0.23 cps

unimputed interim dividend



1. Net Electricity Revenue = electricity sales + gain on realised derivatives – loss on realised derivatives
 2. EBITDAF = Earnings before interest, tax, depreciation, amortisation and financial instruments. EBITDAF is a non-GAAP financial measure. Any hedges that have been transacted or closed within the period that replicate future hedging positions are excluded. In NWF's case, EBITDAF excludes electricity hedges that relates to transactions that fall outside of the reporting period. The Company utilises EBITDAF internally to evaluate profit and loss that relates to the financial period.
 3. NPAT = Net Profit after tax. This is referred to as total comprehensive income and profit (loss) after tax in the financial statements.
 4. Operating cashflow is referred to as net cash inflow (outflow) from operating activities in the financial statements.
 5. Net GWAP = Net generation weighted average price = (electricity sales + gain on realised derivatives – loss on realised derivatives) / generation.

Half Year Review

Key highlights:

- Craig Stobo appointed Chairman, bringing considerable governance and capital markets experience.
- Fast-track resource consent referral submitted to Ministry for the Environment. A successful submission would allow the repower to progress along a fast-track consent pathway. A decision is pending.
- Net Electricity Revenue¹: **\$5.1m** (pcp: \$5.4m)
- EBITDAF²: **\$2.9m** (pcp: \$3.2m)
- NPAT³: **\$4.4m** (pcp: \$0.3m)
- Generation: **56.1 GWh** (pcp: 64.9 GWh)
- Net GWAP⁴: **\$91.13 per MWh** (pcp: \$83.09 per MWh)
- Operating cash flow⁵: **\$2.7m** (pcp: \$3.1m)
- Debt refinanced and increased for another three years.
- Increased debt will support unconditional adjacent land purchase and resource consent costs.
- Lost time injuries (LTI): 1 x LTI (pcp: zero)
- H1 Average Wind Speed: **9.5 m/s** (pcp: 10.2 m/s)
- **Q2 FY22 Dividend (announced today)** to be paid 4 April 2022: **0.23 cps** unimputed (pcp: 0.15 cps)

Highlights for the half year

The Board and management is delighted to welcome Mr Craig Stobo as independent chairman. He will contribute considerable corporate governance and capital markets experience and has a wide range of networks that will add significant value to the current operation and the repowering programme.

Chairman Craig Stobo says, "I'm delighted to join the NZ Windfarms Board at a time when there is an opportunity to amplify its vital contribution to New Zealand's energy supply and climate change goals. The highlight for me for this reporting period was to make good progress on consenting and planning for the repower of our wind farm".

As announced in December 2021, the Company has made an application to the Ministry for the Environment to refer the repowering of the Te Rere Hau wind farm to the Fast-Track consenting process. The period for comments from local authorities and relevant Ministers closed earlier this month and NZ Windfarms has provided further information. The Company will update the market once a decision has been received.

The company has achieved a solid financial performance for the half year with net electricity revenue of \$5.1m (pcp: \$5.4m) and EBITDAF of \$2.9m (pcp: \$3.2m).

The company continued to benefit from variable volume fixed price agreements (VVFPA) \$91.13 per MWh, with price up on the comparable period last year \$83.09 per MWh. However, half year production was down on last year at 56.1 GWh (pcp: 64.9 GWh).

Operating and capital expenditure

Chief Executive Warren Koia says, "this is a solid result considering average wind speeds were much lower than anticipated. Our progress on consenting to repower the Te Rere Hau wind farm did impact cash flow and therefore our dividends for this period, but this is a prudent investment into the Company's future".

Costs were tightly managed including an ongoing focus on managing impacts of the COVID-19 pandemic, both in New Zealand and throughout our international equipment supply chain.

1 Net Electricity Revenue = electricity sales + gain on realised derivatives – loss on realised derivatives

2 EBITDAF = Earnings before interest, tax, depreciation, amortisation and financial instruments. EBITDAF is a non-GAAP financial measure. Any hedges that have been transacted or closed within the period that replicate future hedging positions are excluded. In NWF's case, EBITDAF excludes electricity hedges that relates to transactions that fall outside of the reporting period. The Company utilises EBITDAF internally to evaluate profit and loss that relates to the financial period.

3 NPAT = Net Profit after tax. This is referred to as total comprehensive income and profit (loss) after tax in the financial statements.

4 Net GWAP = Net generation weighted average price = (electricity sales + gain on realised derivatives – loss on realised derivatives) / generation.

5 Operating cashflow is referred to as net cash inflow (outflow) from operating activities in the financial statements.

One off consenting costs impacted cash flow and therefore dividend levels for this period, but good progress has been made on our repowering programme. BNZ has increased our debt facility to fund a portion of these costs. If the company chooses to draw down on this facility, it will enable the Company to spread the cash flow impact over several years.

The consenting costs are capitalised, which is consistent with the treatment of existing consents. This explains the difference between higher EBITDAF levels (consenting costs are excluded from this calculation) but lower free cash flow and thus dividend levels.

One Lost Time Injury (LTI) was the result of an employee's hand being crushed by a pitch rod (large and heavy steel rod) during stowage. Medical care was administered resulting in minor injuries. Waiting for an x-ray appointment during COVID-19 lock downs created the lost time statistic. This LTI did not require WorkSafe involvement.

Capital expenditure on the existing asset base was well managed. Lower generation typically leads to lower key component replacements and higher availability (97.5% compared to the OEM benchmark of 95.0%).

Strategy

BNZ has refinanced existing bank funding facilities for another three years and has increased the debt facility to support the unconditional purchase of an adjacent land block that is currently leased by the Company under a wind right agreement until settlement on 8 April 2022. The increased debt facility will also enable us to fund a portion of the resource consent costs.

Development options have been executed on neighbouring farm blocks to create an option to extend the Te Rere Hau wind farm footprint as part of the repower programme. The new development areas will link the current wind farm and the Pahiatua track road.

Dividends

A Q2 dividend of 0.23 cps (pcp: 0.15 cps) was announced today. The Company's dividend policy adopted last year provides for dividends of 70% to 100% of free cash flow.

Board changes

In October 2021, the former chairman, John Southworth, retired from the Board of Directors. The Company acknowledges John's considerable contribution to the development of the business, and thanks him for his efforts. We are grateful to Christine Spring for stepping into the role of interim Chair until our new Chairman, Craig Stobo, took up the role on 1 February 2022.

FY22 EBITDAF guidance

Lower average wind speeds so far this financial year have resulted in a revision of FY22 EBITDAF expectations. Based on actual generation to date (to 27 Feb 2022), and historic averages, the revised full year generation is expected to be nearer to 106 GWh. (FY21: 110.5 GWh). This generation impact is partially offset by a higher fixed price for electricity in the second half of FY22, due to the VVFPFA.

Considering the generation to date and the higher fixed prices in the second half, **FY22 EBITDAF is now expected to be in the range of \$6.5m to \$7.5m.** We note that the revised range is higher than \$5.1m full year EBITDAF in FY21.

Guidance is provided on the basis of information available to the Board at this time and is subject to variations such as climatic and other factors. Forward electricity generation estimates are based on historical production volumes adjusted for relevant factors including wind speed volatility. Guidance will be updated prior to financial year end or sooner if a material event occurs.

Outlook

The company's financial outlook is tracking well relative to last year in terms of EBITDAF. Operationally, we will continue to focus on all aspects of the business. Our primary strategic focus in the second half will continue to be consenting and developing plans for the repowering of Te Rere Hau. We look forward to sharing more on these plans with the market in the coming months.

Nga mihi | Thank you

Christine Spring

Acting Chair

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

NZ Windfarms Limited

For the 6 months ended 31 December 2021

	Notes	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
Income				
Electricity sales revenue		4,171,137	6,841,885	15,609,031
Gain on unrealised derivatives	6	4,951,742	–	–
Gain on realised derivatives	6	941,547	–	–
Other Income		36,000	–	–
Land lease		14,202	15,750	31,734
Total Income		10,114,628	6,857,635	15,640,765
Operating expenses				
Administration expenses		85,020	98,701	195,542
Audit fees		35,385	18,815	51,376
Directors' fees		144,613	156,500	301,667
Employment expenses		776,200	640,031	1,350,130
Insurance		179,695	123,980	292,285
Variable lease and rental expenses		16,799	31,044	76,728
Legal and consulting expenses	1	232,753	214,602	373,114
Realised loss on derivatives	6	–	1,451,141	5,910,596
Unrealised loss on derivatives	6	–	1,005,679	4,382,523
Reversal of impairment of property, plant and equipment		–	–	(2,972,359)
Reversal of impairment of intangible assets		–	–	(157,498)
Loss on disposal of property, plant and equipment		20,673	30,846	81,169
Te Rere Hau wind farm operational expenses	1	664,515	843,207	1,801,046
Other operating expenses		63,117	78,778	149,299
Total Operating expenses		2,218,770	4,693,324	11,835,617
Profit before interest, amortisation, depreciation and tax		7,895,858	2,164,311	3,805,148
Depreciation and amortisation				
Depreciation of property, plant and equipment	4	1,486,079	1,419,057	2,757,234
Depreciation of right-of-use assets	8	6,678	6,678	13,356
Amortisation of intangible assets	5	155,045	145,671	291,341
Total Depreciation and amortisation		1,647,803	1,571,405	3,061,931
Profit before interest and tax		6,248,055	592,906	743,217

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

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

NZ Windfarms Limited

For the 6 months ended 31 December 2021

	Notes	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
Interest				
Interest income on financial assets at amortised cost		3,416	3,039	5,049
Interest expense on liabilities at amortised cost		(125,775)	(145,040)	(246,963)
Net Interest		(122,360)	(142,001)	(241,914)
Profit before tax		6,125,695	450,905	501,303
Income tax expense				
Income tax expense (benefit)	2	1,756,850	127,607	189,620
Total Income tax expense		1,756,850	127,607	189,620
Total comprehensive income		4,368,845	323,298	311,683
Earnings per share				
Basic earnings per share	13	0.0152	0.0011	0.0011
Diluted earnings per share	13	0.0152	0.0011	0.0011

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

Condensed Consolidated Interim Statement of Financial Position

NZ Windfarms Limited

As at 31 December 2021

	Notes	As at 31/12/2021 (unaudited)	As at 30/06/2021 (audited)
Assets			
Current Assets			
Cash and cash equivalents		1,703,413	2,506,298
Trade and other receivables		1,411,493	1,971,158
Inventories		1,051,495	898,360
Total Current Assets		4,166,401	5,375,815
Non-Current Assets			
Property, plant and equipment	4	41,675,526	42,746,389
Intangible assets	5	3,670,016	3,249,856
Deferred tax		947,007	2,703,857
Right-of-use assets	8	141,716	148,394
Total Non-Current Assets		46,434,266	48,848,496
Total Assets		50,600,666	54,224,311
Liabilities			
Current Liabilities			
Trade and other payables		1,033,048	1,637,026
Derivative liability	6	878,854	5,830,596
Lease liabilities - current portion	8	13,015	13,015
Term loan - current portion	9	946,154	946,154
Total Current Liabilities		2,871,071	8,426,791
Non-Current Liabilities			
Lease liabilities - non-current portion	8	176,369	182,785
Term loan - non-current portion	9	7,313,469	8,015,442
Total Non-Current Liabilities		7,489,838	8,198,227
Total Liabilities		10,360,909	16,625,018
Net Assets		40,239,757	37,599,293
Equity			
Share capital		107,005,000	107,005,000
Accumulated losses		(66,765,243)	(69,405,707)
Total Equity		40,239,757	37,599,293

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

Condensed Consolidated Interim Statement of Changes in Equity

NZ Windfarms Limited

For the 6 months ended 31 December 2021

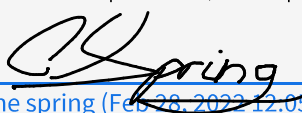

	Notes	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
Equity				
Share Capital				
Opening Balance		107,005,000	107,005,000	107,005,000
Closing Balance		107,005,000	107,005,000	107,005,000
Accumulated losses				
Opening balance		(69,405,707)	(66,126,596)	(66,126,596)
Total comprehensive income (loss) for the period		4,368,845	323,298	311,683
Transactions with owners of the Company in their capacity as owners				
Employee share options forfeited - transferred from employee share option reserve, net of tax		–	13,894	10,004
Dividends paid		(1,728,382)	(3,168,702)	(3,600,797)
Closing Balance		(66,765,243)	(68,958,105)	(69,405,707)
Employee share option reserve				
Opening Balance		–	13,894	13,894
Share options forfeited - transferred to accumulated losses		–	(13,894)	(13,894)
Closing Balance		–	–	–
Total Equity		40,239,757	38,046,895	37,599,293

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

Condensed Consolidated Interim Statement of Cash Flows

NZ Windfarms Limited

For the 6 months ended 31 December 2021

	Notes	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
Consolidated Statement of Cash Flows				
Operating Activities				
Cash was received from:				
Trading revenue		4,965,036	6,661,064	14,988,227
Derivative gain realised		941,547	–	–
Interest received		3,416	3,037	5,049
Cash was applied to:				
Derivative loss realised		–	(1,451,141)	(5,910,637)
Payments to suppliers and employees		(3,139,242)	(1,975,959)	(3,951,244)
Interest paid		(118,133)	(111,694)	(233,117)
Net cash inflow from Operating Activities		2,652,624	3,125,307	4,898,278
Investing Activities				
Cash was applied to:				
Purchase of property, plant and equipment	4	(435,889)	(657,865)	(1,568,509)
Purchase on intangible assets	5	(575,206)	–	–
Net cash outflow from Investing Activities		(1,011,095)	(657,865)	(1,568,509)
Financing Activities				
Cash was applied to:				
Repayment of lease liability		(6,416)	(6,624)	(12,302)
Repayment of BNZ loan	9	(709,616)	(449,154)	(946,154)
Dividend paid		(1,728,382)	(3,168,702)	(3,600,797)
Net cash outflow from Financing Activities		(2,444,414)	(3,624,480)	(4,559,253)
Net increase in cash and cash equivalents		(802,885)	(1,157,038)	(1,229,484)
Cash and cash equivalents, beginning of period				
Cash and cash equivalents, beginning of period		2,506,298	3,735,782	3,735,782
Cash and cash equivalents, beginning of period		2,506,298	3,735,782	3,735,782
Cash and cash equivalents, end of period		1,703,413	2,578,744	2,506,298
 				
christine.spring (Feb 28, 2022 12:05 GMT+13)				
Christine Spring Acting Chair		Patrick Brockie Director		

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

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

Reporting entity and Statutory base

NZ Windfarms Limited (the "Company") is incorporated under the Companies Act 1993, a FMC reporting entity under the Financial Markets Conduct Act 2013, and is listed on the New Zealand Exchange (the "NZX"). The Company is in the business of operating wind power generation assets for the purpose of generating and selling electricity. The Company operates solely within New Zealand.

The Group consolidated interim financial statements of NZ Windfarms Limited as at the end of the reporting period comprise the Company and its 100% owned subsidiaries: NZWL-TRH Limited and TRH Services Limited (the "Group"). For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Group is a Tier 1 for-profit entity.

Basis of preparation

These financial statements have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34 - Interim Financial Reporting ("NZ IAS 34"). In complying with NZ IAS 34, these statements comply with generally accepted accounting practice in New Zealand ("NZ GAAP").

These financial statements, including the accounting policies adopted, do not include all the information and disclosures required in the annual financial statements. These financial statements have been prepared using the same accounting policies as, and should be read in conjunction with, the Group's annual financial statements for the year ended 30 June 2021.

The financial statements are presented in New Zealand dollars which is the Group's functional currency and presentation currency, rounded to the nearest dollar.

The preparation of financial statements requires judgements and estimates that impact the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The measurement base adopted in the preparation of these financial statements is historical cost, except that certain financial instruments are measured at fair value.

Seasonality

The energy business operates in an environment that is dependent on weather as one of the key drivers of supply and demand.

Fluctuations in seasonal weather patterns, particularly over the short-term, can have a positive or negative effect on financial performance. It is not possible to consistently predict this seasonality and some variability is common.

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the condensed group interim financial statements are unchanged from the audited 30 June 2021 financial statements.

The condensed group interim financial statements do not include notes of the type normally included in annual financial statements. Accordingly, these condensed consolidated group interim financial statements are to be read in conjunction with the 30 June 2021 financial statements.

Changes in accounting policies

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

1. Profit before tax

	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
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Included in Profit before tax are the following items:

Profit before tax

Legal and consulting expenses	232,753	214,602	373,114
Reversal of impairment of property, plant and equipment	–	–	(2,972,359)
Reversal of impairment of intangible assets	–	–	(157,498)
Te Rere Hau wind farm operational expenses	664,515	843,207	1,801,046

At 30 June 2021, the Group carried out a review of the carrying values of its assets in accordance with NZ IAS 36 - Impairment of Assets. Note 11 also provides further information. The value in use calculation indicated that there was a positive impairment adjustment of \$3,129,857 for the year ended 30 June 2021. The reversal of impairment has been allocated to property plant and equipment and intangible assets.

The Board has not updated any of the impairment calculations to 31 December 2021. The Group carries out a full value in use test annually at year-end.

2. Income tax expense

	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
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Net profit before tax	6,125,695	450,905	501,303
Expected tax expense at 28%	1,715,195	126,254	140,365

Adjustments for non-deductible expenses and non-assessable income

Other non-deductible expenses	555	1,354	1,191
Reinstatement of tax depreciation on commercial buildings	–	–	(19,297)
Derecognition of deferred tax asset on IRE buildings	1,114	–	–
Prior period adjustment	39,986	–	67,361
Total Adjustments for non-deductible expenses and non-assessable income	41,655	1,354	49,255

Total tax expenses	1,756,850	127,607	189,620
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Represented by:

Current tax

Current tax on profits for the year	–	–	–
Adjustments for current tax of prior periods	–	–	–
Total Current tax	–	–	–

Deferred tax

Origination and reversal of temporary differences	1,716,864	127,607	122,259
Adjustments for deferred tax of prior periods	39,986	–	67,361
Total Deferred tax	1,756,850	127,607	189,620

Total tax expense/ (benefit)	1,756,850	127,607	189,620
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Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
Tax loss			
Tax loss for previous years	24,196,186	20,344,226	20,344,224
Tax loss for the year	–	539,969	5,550,929
Tax loss utilised within the group	(6,221,057)	–	(1,698,967)
Tax loss carried forward	17,975,129	20,884,195	24,196,186

Imputation credit account

Dividends paid by New Zealand resident companies may include imputation credits representing the taxation already paid by the Group on the profits distributed. New Zealand resident shareholders may claim a tax credit equal to the value of the imputation credit attached to the dividends.

The Company has no imputation credits as it is currently utilising assessed tax losses brought forward and as such has not been required to pay income tax.

3. Notes supporting the Statement of Cash Flows

	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
Net profit after tax	4,368,845	323,298	311,683
Non-cash items			
Depreciation of property, plant and equipment	1,486,079	1,419,057	2,757,234
Depreciation of right-of-use assets	6,678	6,678	13,356
Amortisation of intangible assets	155,045	145,671	291,341
Interest expense	7,642	–	46,420
Reversal of impairment of property, plant and equipment	–	–	(2,972,359)
Reversal of impairment of intangible assets	–	–	(157,498)
Loss on disposal of property, plant and equipment	20,672	30,217	81,169
Unrealised loss/(gain) on derivatives	(4,951,742)	1,005,680	4,382,523
Provision for taxation	1,756,850	127,607	189,620
Total Non-cash items	(1,518,775)	2,734,909	4,631,806
Changes in working capital			
Trade and other payables	559,665	(44,501)	267,853
Inventories	(153,135)	205,813	361,817
Trade and other receivables	(603,976)	(94,211)	(674,881)
Total Changes in working capital	(197,446)	67,101	(45,211)
Net cash flow from operating activities	2,652,624	3,125,309	4,898,278

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

4. Property, plant and equipment

The carrying book value amounts of property, plant and equipment are analysed as follows:

	Land \$	Office equipment \$	Buildings, plant & equipment \$	Motor vehicles \$	Foundations \$	Electrical \$	Roading \$	Wind turbines \$	TOTAL \$
At 30 June 2021									
Cost	3,300,000	442,992	1,523,629	477,456	4,447,656	21,097,384	4,953,795	76,308,713	112,551,165
Accumulated depreciation & impairment	-	441,617	881,178	378,016	2,633,620	8,541,682	3,039,482	53,889,182	69,804,776
Carrying amount	3,300,000	1,375	641,991	99,440	1,814,036	12,555,702	1,914,313	22,414,531	42,746,389
Half-year Ended 31 December 2021									
Opening carrying amount	3,300,000	1,375	641,991	99,440	1,814,036	12,555,702	1,914,313	22,414,531	42,746,389
Additions	1,267	45,950	1,295	17,391	-	-	-	369,986	435,889
Disposals	-	-	-	-	-	-	-	(15,672)	(15,672)
Transfers	-	-	-	-	-	-	-	-	-
Depreciation	-	(14,301)	(27,360)	(21,887)	(23,751)	(160,724)	(36,256)	(1,201,800)	(1,486,079)
Impairment	-	-	-	-	-	-	-	-	-
Closing carrying amount	3,301,267	33,024	615,926	94,943	1,790,285	12,394,978	1,878,057	21,567,045	41,675,526
At 31 December 2021									
Cost	3,301,267	488,942	1,524,464	494,847	4,447,656	21,097,384	4,953,795	76,300,445	12,608,799
Accumulated depreciation & impairment	-	(455,918)	(908,538)	(399,903)	(2,657,371)	(8,702,406)	(3,075,738)	(54,733,400)	(70,933,273)
Carrying amount	3,301,267	33,024	615,926	94,943	1,790,285	12,394,978	1,878,057	21,567,045	41,675,526

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

5. Intangible assets

Changes in the net carrying amount of intangible assets follow:

	Land use consent and wind rights \$	Grid connection \$	Capital WIP \$	TOTAL \$
At 30 June 2021				
Cost	1,737,360	5,522,157	–	7,259,517
Accumulated amortisation & impairment	(400,987)	(3,608,673)	–	(4,009,660)
Carrying amount	1,366,373	1,913,483	–	3,249,856
Half-Year Ended 31 December 2021				
Opening carrying amount	1,336,373	1,913,483	–	3,249,856
Additions	–	–	575,206	575,206
Amortisation	(21,069)	(133,976)	–	(155,045)
Closing carrying amount	1,315,304	1,779,507	575,206	3,670,016
At 31 December 2021				
Cost	1,737,360	5,522,157	575,206	7,834,723
Accumulated amortisation & impairment	(422,057)	(3,742,650)	–	(4,164,707)
Carrying amount	1,315,304	1,779,507	575,206	3,670,016

The Capital WIP included in the above consists of costs associated with the re-consenting and re-power of the Te Rere Hau Windfarm. The consent application has not yet been submitted for approval and as such these costs have not been subject to amortisation.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

6. Derivative financial instruments

Classification of Derivative financial instruments

Derivative energy futures, are classified as held for trading and accounted for at fair value through profit or loss. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The Group has not applied hedge accounting.

The energy futures derivatives are measured at fair value on a recurring basis, and have been classified as Level 2 financial instruments. This refers to the determination of fair value from inputs other than unadjusted quoted prices from an active market for identical assets and liabilities, which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The energy future derivatives are valued using the forecasted generated volume and the wholesale electricity price paths from the ASX, as explained below.

The fair value hierarchy of financial instruments measured at fair value is provided below.

Financial liabilities	Level 1			Level 2			Level 3		
	6 months ended 31 December 2021 (unaudited) (\$)	6 months ended 31 December 2020 (unaudited) (\$)	Year ended 30 June 2021 (audited) (\$)	6 months ended 31 December 2021 (unaudited) (\$)	6 months ended 31 December 2020 (unaudited) (\$)	Year ended 30 June 2021 (audited) (\$)	6 months ended 31 December 2021 (unaudited) (\$)	6 months ended 31 December 2020 (unaudited) (\$)	Year ended 30 June 2021 (audited) (\$)
Derivative financial liabilities (fair value through profit or loss)	–	–	–	878,854	2,453,753	5,830,596	–	–	–

There have been no transfers between levels in the period.

Energy futures and contracts for differences

The Company's primary means of managing electricity price risk is via a variable volume fixed price agreement (VVFPA). This means that 100% of the Company's generation between 1 July 2020 to 30 September 2022, and 25% of the Company's generation between 1 October 2022 and 30 June 2023 will be sold at a fixed price related to the Company's injection node (TWC2201). These agreements have been reached with NZ based counter-parties.

Prior to the VVFPA, the Company utilised Australian Securities Exchange (ASX) electricity futures and 'contract for difference' (CFD's) with gentailer's to manage electricity price risk. Both are fixed volume and fixed price contracts and relate to the Otahuhu price node (could be Benmore as well). Further differences include, ASX futures are sold through the ASX and require margin to be posted whereas CFD's with Gentailer's are sold on an 'over the counter' (OTC) basis and do not require margin.

Interest rate swaps

The Company has floating rate debt and is exposed to movements in interest rates. For floating rate debt there is uncertainty of future cash interest payments. The Company manages these risks through the use of Interest Rate Swaps (IRS) to ensure that the Company has an appropriate amount of fixed and floating interest rate exposure. The risk is monitored by assessing the notional amount of debt on a fixed and floating basis and ensuring this is in accordance with set policies.

The Company has entered into a \$7.0 million IRS with Bank of New Zealand. This swap matches the repayment and maturity profile of the loan facility (2020 to 2023). The price of the IRS is 2.61%. The carrying value of the IRS at 31 December 2021 is \$114,964 asset (30 June 2021: \$15,090 liability). Refer to note 9 for information on the Term Loan.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
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Results of the transactions with derivative financial instruments:

Gain (Loss) on realised derivative financial instruments

Interest swaps

Net gain/(loss) realised on interest swaps	(7,776)	(4,876)	(15,048)
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VVFPA

Net gain (loss) realised on VVFPA	949,323	(1,446,265)	(5,895,586)
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Total Gain (Loss) on realised derivative financial instruments	941,547	(1,451,141)	(5,910,634)
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Gain (loss) on unrealised fair value derivative liabilities

Interest swaps

Net gain (loss) on unrealised interest swaps	(130,054)	21,940	61,859
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VVFPA

Net (loss) gain unrealised on VVFPA	(4,821,688)	(1,027,619)	(4,444,382)
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Total Gain (loss) on unrealised fair value derivative liabilities	(4,951,742)	(1,005,679)	(4,382,523)
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Unrealised fair value derivative (liabilities) assets	(878,854)	(2,453,753)	(5,830,596)
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7. Capital commitments

The Group had \$543,276 of capital commitments as at 31 December 2021 (30 June 2021: \$689,246) for inventories and property, plant and equipment.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

8. Right-of-Use Assets & Leases

	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
Right-of-Use Assets			
Wind right agreements			
Balance at the start of the reporting period	148,394	161,750	161,750
Depreciation	(6,678)	(6,678)	(13,356)
Balance at the end of the reporting period	141,716	155,072	148,394
Total Right-of-Use Assets	141,716	155,072	148,394

Lease liabilities

Wind right agreements			
Balance at the start of the reporting period	195,800	208,102	208,102
Interest expense	5,584	6,000	11,698
Lease payments	(12,000)	(12,000)	(24,000)
Balance at the end of the reporting period	189,384	202,102	195,800
Total Lease liabilities	189,384	208,328	195,800

Lease liabilities are made up as follows:

Current portion	13,015	13,660	13,015
Non-current portion	176,369	194,667	182,785
Total Lease liabilities	189,384	208,328	195,800

Amounts recognised in the income statement:

Interest charges for lease liabilities	5,584	6,000	11,698
Expense relating to leases of low-value (included in Lease and rental expenses)	2,404	1,582	4,409
Expense relating to variable lease payments not included in lease liabilities * (included in Lease and rental expenses)	14,395	29,462	72,319

At 31 December 2021	Up to 3 months (\$)	Between 3 and 12 months (\$)	Between 1 and 2 years (\$)	Between 2 and 5 years (\$)	Over 5 years (\$)
Lease liabilities	6,000	18,000	24,000	72,000	140,500

* Variable lease payments not included in lease liabilities relate to royalty expenses above contracted minimum amounts

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

9. Term loan

The group is financed to 2023 with Bank of New Zealand (BNZ). The loan is subject to normal competitive commercial interest terms and covenants, including interest cover and leverage ratios. The total cost of finance of the loan reflects the 90 day Bank Bill rate plus a margin.

As at 31 December 2021 the Company was compliant with all covenants (30 June 2021: compliant with all covenants).

There is a general security interest on all the Group's property, and registered first mortgage over property situated at North Range Road, Mangahao, held by BNZ.

	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
Term Loan			
Balance at the start of the reporting period	8,961,596	9,892,479	9,892,479
Amortisation of borrowing costs	7,642	23,923	15,271
Interest expense	67,037	71,021	126,064
Loan repayments	(776,653)	(544,098)	(1,072,218)
Balance at the end of the reporting period	8,259,623	9,443,325	8,961,596

Term loan is made up as follows:

Current portion	946,154	946,154	946,154
Non-current portion	7,313,469	8,497,171	8,015,442
Total loan	8,259,623	9,443,325	8,961,596

10. Financial instruments and Risk management

The interim consolidated financial statements do not include all financial risk management information and disclosures and should be read in conjunction with the group's annual financial statements for the year ended 30 June 2021.

There have been no other significant changes in the financial risk management objectives and policies since 30 June 2021.

11. Te Rere Hau Wind Farm asset impairment

The Group has only one cash generating unit which is the Te Rere Hau wind farm. The 'value in use' method has been used to establish the recoverable value of the assets of the wind farm using a remaining life of thirty years from 30 June 2021 with no terminal value. The remaining life is based on the turbine manufacturers design life for the turbines and the Group's long term replacement strategy for the major turbine components.

During the year ended 30 June 2021, the Group carried out a review of the carrying values of the assets in accordance with NZ IAS 36 - Impairment of Assets. The value in use calculation indicated that there was a positive impairment adjustment of \$3,129,857 for the year ended 30 June 2021. The reversal of impairment has been allocated to property plant and equipment and intangible assets.

The details of the key assumptions to the value in use method are salvage value, electricity price, output, operating costs, the cost of mid-life refurbishment, inflation and the discount rate.

Management has not updated any of the impairment calculations to 31 December 2021. The company carries out a full value in use test annually at year end.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

12. Related party transactions

Key management personnel includes the Board of Directors, CEO and GM Operations. Key management personnel short term employee benefits, excluding remuneration to Directors, was \$245,073 during the reporting period ended 31 December 2021 (Six months ended 31 December 2020: \$211,251; Year ended 30 June 2021: \$424,568).

Directors' remuneration of \$144,613 was paid and expensed during the reporting period (Six months ended 31 December 2020: \$156,500 Year ended 30 June 2021: \$301,667).

13. Earnings and Net tangible assets per share

The basic and diluted earnings per share are calculated using the net result attributable to shareholders of the Company as the numerator.

	6 months ended 31/12/2021 (unaudited)	6 months ended 31/12/2020 (unaudited)	Year ended 30/06/2021 (audited)
Earnings per share			
Net profit (loss) for the year	4,368,845	323,298	311,683
Number of shares on issue over year	288,063,584	288,063,584	288,063,584
Basic earnings (loss) per share	0.0152	0.0011	0.0011
Diluted earnings per share	0.0152	0.0011	0.0011
Net tangible assets per share			
Net assets	40,239,757	38,046,895	37,599,293
Less:			
Intangible assets	3,670,016	3,238,029	3,249,856
Deferred tax	947,007	2,769,760	2,703,857
Net tangible assets	35,622,734	32,039,106	31,645,581
Number of shares on issue over year	288,063,584	288,063,584	288,063,584
Net tangible assets per share	0.1237	0.1112	0.1099

The net tangible assets per share is calculated using the total equity less intangible assets and deferred tax attributable to shareholders of the Company as the numerator.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2021

14. Significant events subsequent to reporting period end

As announced in December 2021, the Company has made an application to the Ministry for the Environment to refer the repowering of the Te Rere Hau wind farm to the Fast-Track consenting process. The period for comments from local authorities and relevant Ministers closed earlier this month and NZ Windfarms has provided further information. The Company will update the market once a decision has been received.

Also announced in December 2021, after an external director search process, Mr Craig Stobo was appointed as independent chairman. His appointment date was 1 February 2022.

BNZ has refinanced existing bank funding facilities for another three years and has increased the debt facility to support the unconditional purchase of an adjacent land block that is currently leased by the Company under a wind right agreement until settlement on 8 April 2022. The increased debt facility will also enable us to fund a portion of the resource consent costs.

Lastly, the Board resolved on 28 February 2022 to declare an unimputed dividend of 0.23 cents per share payable on 4 April 2022.

15. Segment analysis

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, CEO and GM Operations, in order to allocate resources to the segment and to assess its performance.

The NZ Windfarms Group operates in one segment, being the generation for sale of electricity to the national grid in New Zealand. Sales of electricity are made via Energy Clearing House Limited, representing 100% of the Group's trading revenue.

As there is only one reportable segment for the Group the segment profit represents profit earned for the segment after all costs including all administration costs, Directors' fees, salaries, interest revenue, finance costs and income tax expense.

The Board makes resource allocation decisions to this segment based on the expected cash flows and results of Group operations as a whole. No operations were discontinued during the year. For the purposes of monitoring segment performance and allocating resources to the segment, the Board monitors the tangible, intangible and financial assets attributable to the segment. All assets are allocated to the reportable segment.

16. COVID-19 impact

Operational assets provide an 'essential service' and therefore have not been subject to lockdown restrictions. In addition, appropriate protective measures against the spread of COVID-19 were put in place and all staff and suppliers have been kept safe. The Group has not experienced any material impact attributable to COVID-19. Revenue from electricity generation from current operating assets is fully covered by variable volume fixed price agreements through to 30 September 2022 and partially to 30 June 2023 with three NZ based counterparties, producing cashflows which are resilient to short term market fluctuations.

At this point in time, it is not expected that COVID-19 will have a material adverse impact on the Group's ongoing business or the carrying value of its operational assets.

17. Going concern

For the reporting period ending 31 December 2021, the Board remains of the opinion that the going concern assumption is appropriate.

As at 31 December 2021, the Group had a cash balance of \$1,703,413 and working capital of \$1,295,330.

The Group prepares revenue and cash flow forecasts which are reviewed and updated monthly. Based on these forecasts, the Group is expected to generate sufficient cash flow to ensure that there are sufficient funds available to pay debts as they fall due.

Corporate Directory

NZ Windfarms Limited

For the 6 months ended 31 December 2021

Directors

Christine Spring (Acting Chair)
Patrick Brockie
Mark Evans
John Southworth (Resigned 27 October 2021)
Craig Stobo (appointed 1 February 2022)

Leadership Team

Warren Koia (Chief Executive Officer)
Adam Radich (General Manager Operations)

Registered Office

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Palmerston North 4471
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E: info@nzwindfarms.co.nz

Share Registrar

Shareholders with enquiries about transactions, change of address or dividend payments should contact the Share Registrar.

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Auckland, 1010
T: +64 9 375 5998
E: enquiries@linkmarketservices.co.nz

Auditor

BDO Auckland
Level 4, Building A, BDO Centre
4 Graham Street
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Legal

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48 Shortland Street
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