Interim Report

For the 6 months ended
31 December 2022

NZ Windfarms Ltd
POWERED BY NATURE

POWERED BY NATURE

Contents

NZ Windfarms Limited

Key Metrics

Net Electricity Revenue[1]

$5.0m

(pcp: $5.1m)

EBITDAF[2]

$2.5m

(pcp: $2.9m)

NPAT[3]

$1.8m

(pcp: $4.4m)

Operating cashflow[4]

$2.8m

(pcp: $2.7m)

Generation

56.0 GWh

(pcp: 56.1 GWh)

Net GWAP[5]

$88.67 per MWh

(pcp: $91.13 per MWh)

Average Wind Speed

9.5 m/s

(pcp: 9.5 m/s)

Availability

93.6%

(pcp: 94.4%)

Lost Time Injuries (LTI)

Zero LTI

(pcp: One)

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.

Focus on operational excellence and strategic growth opportunities

Operational Metrics:

- The Company maintained comparable operational performance for the half year despite low spot electricity prices and partially hedged generation.
- H1 Generation: **56.0 GWh** (pcp:56.1 GWh)
- H1 Average Wind Speed: **9.5 m/s** (pcp:9.5 m/s)
- H1 Availability: **93.6%** (pcp: 94.4%)
- H1 Net GWAP: **$88.67 per MWh** (pcp: $91.13 per MWh)
- H1 Net Electricity Revenue[1]: **$5.0m** (pcp: $5.1m)
- H1 EBITDAF[2]: **$2.5m** (pcp: $2.9m)
- H1 NPAT[3]: **$1.8m** (pcp: $4.4m)
- H1 Operating cash flow[4]: **$2.8m** (pcp: $2.7m)
- A first quarter dividend of **0.05 cents per share** (pcp: 0.15 cents per share) was paid in December 2022.
- **$1.35m** of additional debt was drawn during the period to partially support the investment in upfront resource consenting costs and related workstreams.
- H1 Lost time injuries (LTI): **Zero** (pcp: One)
- Dividends to be **paused**.
- FY2023 EBITDAF guidance revised to **$4.1m to $5.2m**

Key highlights:

- Fast-track resource consent submitted for consideration to the Environmental Protection Authority. An expert consenting panel has been appointed and consultation is underway. A successful application would provide the option to repower the Te Rere Hau wind farm.
- The Company is making progress on the development of commercial structures with a short list of counterparties to develop our wind farm. Counterparties were identified and have provided Expressions of Interest and non-binding terms to partner with NZ Windfarms. A repower is conditional on both the outcomes of the fast-track consent and ongoing commercial discussions.
- Establishment of our Company purpose: **Empowering Sustainable Communities and Values: Trust, Innovation, Manākitanga and Enjoyment**.
- Surplus cash is being redirected to invest in strategic growth opportunities.

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.

Highlights for the half year

Net electricity revenue for the period was $5.0m (pcp: $5.1m) and EBITDAF was $2.5m (pcp: $2.9m). NPAT of $1.8m (pcp: $4.4m) was lower as a net result of a lower gain on unrealised derivatives $2.5m (pcp: $5.0m), higher depreciation $2.1m (pcp: $1.5m) and higher net interest costs $0.2m (pcp: $0.1m). Depreciation was higher as a result of the reversal of impairment on the property, plant, and equipment carrying value at 30 June 2022.

The Variable Volume Fixed Price Agreements (VVFPA's) partially shielded the Company from the full impact of low spot electricity prices on the unhedged portion of generation. The Company was 100% hedged for the September 2022 quarter and 50% hedged for the December 2022 quarter. The blended price (incorporating VVFPA's and spot pricing) averaged $88.67 per MWh for the half year period. This is down slightly on the comparable period of $91.13 per MWh.

Spot electricity prices were extremely low during the period as a result of full hydro lakes across the country. For reference, the December month averaged $6.26 per MWh and was the lowest average monthly spot price recorded by the Company. The Company did seek further VVFPA hedging opportunities during the half year to 31 December 2022 but market interest was not aligned with our commercial needs. The Company continues to investigate opportunities to capture the benefit of the forward price curve and to enhance revenue opportunities.

Average wind speed was 9.5 m/s, unchanged on last period (pcp:9.5 m/s) and availability was 93.6% slightly below last period (pcp:94.4%). Note the availability statistic has been restated for last period. This led to half year production broadly unchanged at 56.0 GWh (pcp: 56.1 GWh).

Zero Lost Time Injuries (LTI's) were recorded (pcp: One). This is illustrative of the company's strong health and safety culture.

Strategy focus

As we move into the second half of the financial year our focus is two-fold. The first is optimising our existing fleet, revenue streams and cost centres; and the second is the repowering workstreams which underpin our strategic growth opportunities.

Optimising our existing fleet, revenue streams and cost centres includes maintaining a close eye on costs, supply chains and controllable factors, working with customers to optimise our VVFPA offering and exploring additional revenue streams.

Repowering workstreams are progressing. The expert consenting panel has been appointed and they are gathering feedback from various parties to inform their fast-track consenting decision which we anticipate in the April-June 2023 quarter.

The Company is making satisfactory progress on the critical commercial elements required to deliver the repower to NZ Windfarms. The repower is conditional on the outcome of the fast-track consent and ongoing commercial discussions. A proposal will be discussed with shareholders once commercial terms have been agreed. A further update is anticipated later in the calendar year after a consenting decision has been made.

We are pleased with the progress we have made on these crucial initiatives, which creates a remarkable opportunity for long-term growth. We understand that pursuing such opportunities creates short-term cashflow challenges (such as the decision to pause dividends). However, it is an essential investment in our pursuit of a successful long-term growth strategy.

Company Purpose and Values

During the period the Company established the Company's Purpose and Values. This was a collective effort, which involved gaining insights and perspectives from all layers of the organisation and from external stakeholders. The Purpose and Values will guide decision-making and set the tone for how the business operates going forward.

Purpose: Empowering Sustainable Communities

Values: **T**rust, **I**nnovation, **M**anākitanga and **E**njoyment.

Operating and capital expenditure

Most operating expenses were higher compared to the prior period, reflecting the inflationary environment. Fleet availability, operating & capital expenditure and heavy maintenance programmes were impacted by inflation, competitive labour markets (impacting the ability of suppliers to find staff), Covid-19 related staff absences, difficulty sourcing materials or components (as a result of China's restrictive Covid-19 lockdown settings) and transportation bottlenecks. These factors impacted management's ability to improve fleet availability and EBITDAF. When turbines are shut down as a result of faults, any delays in sourcing replacement parts or components impacts the timeframe in which turbines can be returned to service. Hence availability suffers and this has a flow on effect to generation as we observed this period. The Company is proactively working with suppliers to minimise delays and manage inflationary cost escalations where possible to improve availability.

Impact from recent weather events

The wind farm was not directly affected by the impacts of Cyclone Gabrielle. The team was on high alert as the wild weather lashed the country, but ultimately the full force of the weather event was borne by other regions. One of our team members responded as part of Surf Lifesaving NZ's immediate response to the rescue efforts in the Hawkes Bay. We offer our thoughts, prayers and condolences to those families that were impacted by this tragic event.

Net Debt, FY23 EBITDAF guidance and Pause to Dividends

During the period the Company drew down $1.35m of new bank debt to support a portion of the investment into the consenting and repowering workstreams. This capital has been ringfenced for these purposes hence the larger than usual cash-on-hand balance at period end. Interest costs will be higher from June 2023 as a result of a favourable interest rate swap coming to an end. Management is reviewing its interest rate hedging strategy.

The Company now expects **FY2023 EBITDAF to be in the range of $4.1m to $5.2m**. Forward electricity prices are currently elevated heading into the final months of the financial year and spot electricity prices have improved in January and February. However, it is difficult to estimate the level to which the elevated forward price curve can be monetised by the Company and therefore the guidance range remains wide to account for the variety of foreseeable pricing and generation scenarios. 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.

Considering the low electricity spot market prices and continued upfront investment to support strategic growth aspirations, the Board has taken the difficult but prudent decision to pause dividends.

Board changes

As announced, in August 2022, Mark Evans, retired from the Board of Directors. The Board acknowledges Mark's contribution to the governance of the Company, and thanks him for his efforts. As a result of his retirement, the board has reduced in number to four members. The constitution allows for a minimum of three and a maximum of eight directors.

Outlook

Despite stable operational metrics, the Company remains exposed to the spot electricity price path. Mid to longer term forward electricity pricing is currently favourable, but short-term pricing is highly dependent on hydro storage levels. Short term electricity price volatility has been partially shielded by our VVFPA contracts in place to 30 June 2023 at a hedge ratio of 50%.

Longer term challenges include a large pipeline of new generation opportunities (as evidenced by Transpower's new grid connection queue system), the uncertainty created as a result of reforms to the Resource Management Act and a lack of clarity on the Lake Onslow project. Projects that can move to a final investment decision, and into construction and delivery quickly, and demonstrate acceptable investment returns, are likely to benefit from a first mover advantage.

The Board is committed to its two focus areas – optimising profitability of the existing fleet and execution of its strategic growth opportunities. We are excited about what lies ahead and committed to taking steps towards fulfilling our Purpose of **Empowering Sustainable Communities**.

Nga mihi | Thank you

Craig Stobo
Chairman

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

NZ Windfarms Limited

For the 6 months ended 31 December 2022

	Notes	6 months ended 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (audited)
Income				
Electricity sales revenue		2,189,826	4,171,137	10,790,955
Gain on unrealised derivatives	6	2,486,889	4,951,742	1,638,991
Gain on realised derivatives	6	2,779,934	941,547	–
Other Income		1,043	36,000	72,495
Land lease		14,202	14,202	28,404
Total Income		**7,471,894**	**10,114,628**	**12,530,845**
Operating expenses				
Administration expenses		125,706	85,020	231,428
Audit fees		58,907	35,385	67,984
Directors' fees		202,480	144,613	330,779
Employment expenses		842,002	776,200	1,457,952
Insurance		169,805	179,695	358,227
Variable lease and rental expenses		3,328	16,799	37,310
Legal and consulting expenses	1	212,816	232,753	547,725
Realised loss on derivatives	6	–	–	54,066
Reversal of impairment of property, plant and equipment	11	–	–	(2,638,120)
Reversal of impairment of intangible assets	11	–	–	(145,834)
Gain/(Loss) on disposal of property, plant and equipment		(6,567)	20,673	(13,440)
Te Rere Hau wind farm operational expenses	1	743,131	664,515	1,243,920
Other operating expenses		78,228	63,117	157,501
Total Operating expenses		**2,429,837**	**2,218,770**	**1,689,499**
Profit before interest, amortisation, depreciation and tax		**5,042,057**	**7,895,858**	**10,841,346**
Depreciation and amortisation				
Depreciation of property, plant and equipment	4	2,137,006	1,486,079	3,006,931
Depreciation of right-of-use assets	8	12,836	6,678	13,356
Amortisation of intangible assets	5	160,758	155,045	311,966
Total Depreciation and amortisation		**2,310,600**	**1,647,803**	**3,332,253**
Profit before interest and tax		**2,731,457**	**6,248,055**	**7,509,093**

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 2022

	Notes	6 months ended 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (audited)
Interest				
Interest income on financial assets at amortised cost		34,485	3,416	15,848
Interest expense on liabilities at amortised cost		(268,026)	(125,775)	(280,505)
Net Interest		**(233,541)**	**(122,360)**	**(264,658)**
Profit before tax		**2,497,915**	**6,125,695**	**7,244,436**
Income tax expense				
Income tax expense (benefit)	2	701,112	1,756,850	2,073,855
Total Income tax expense		**701,112**	**1,756,850**	**2,073,855**
Net profit after tax		**1,796,804**	**4,368,845**	**5,170,581**
Other Comprehensive Income				
Items that will not be reclassified to the Profit or Loss				
Land Revaluation		–	–	1,295,118
Total items that will not be reclassified to the Profit or Loss		**–**	**–**	**1,295,118**
Total Comprehensive Income				
Total Comprehensive Income		1,796,804	4,368,845	6,465,699
Earnings per share				
Basic earnings per share	13	0.0062	0.0152	0.0179
Diluted earnings per share	13	0.0062	0.0152	0.0179

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 2022

	Notes	As at 31/12/2022 (unaudited)	As at 30/06/2022 (audited)
Assets			
Current Assets			
Cash and cash equivalents		3,296,364	1,680,382
Trade and other receivables		502,930	1,357,439
Inventories		900,469	910,944
Total Current Assets		**4,699,763**	**3,948,765**
Non-Current Assets			
Property, plant and equipment	4	43,739,554	45,584,809
Intangible assets	5	5,170,097	4,536,299
Right-of-use assets	8	196,105	135,037
Total Non-Current Assets		**49,105,756**	**50,256,145**
Total Assets		**53,805,519**	**54,204,910**
Liabilities			
Current Liabilities			
Trade and other payables		693,928	1,070,151
Derivative liability	6	1,704,716	4,191,605
Lease liabilities - current portion	8	49,087	13,015
Term loan - current portion	9	1,205,882	1,205,882
Total Current Liabilities		**3,653,613**	**6,480,653**
Non-Current Liabilities			
Deferred tax liability / (asset)		71,110	(630,002)
Lease liabilities - non-current portion	8	194,646	169,766
Term loan - non-current portion	9	7,855,602	7,086,555
Total Non-Current Liabilities		**8,121,358**	**6,626,319**
Total Liabilities		**11,774,972**	**13,106,972**
Net Assets		**42,030,548**	**41,097,938**
Equity			
Share capital		107,005,000	107,005,000
Accumulated losses		(66,269,570)	(67,202,180)
Revaluation reserve - Land		1,295,118	1,295,118
Total Equity		**42,030,548**	**41,097,938**

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 2022

	Notes	6 months ended 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (audited)
Consolidated Statement of Cash Flows				
Operating Activities				
Cash was received from:				
Trading revenue		2,962,608	4,965,036	11,534,164
Derivative gain realised		2,779,934	941,547	–
Interest received		34,485	3,416	15,848
Cash was applied to:				
Derivative loss realised		–	–	(54,066)
Payments to suppliers and employees		(2,705,180)	(3,139,242)	(5,307,232)
Interest paid		(253,729)	(118,133)	(280,505)
Net cash inflow from Operating Activities		**2,818,118**	**2,652,624**	**5,908,209**
Investing Activities				
Cash was received from:				
Sale of property, plant and equipment		–	–	109,565
Cash was applied to:				
Purchase of property, plant and equipment	4	(285,184)	(435,889)	(1,989,896)
Purchase of intangible assets - Capital WIP	5	(794,557)	(575,206)	(1,186,220)
Net cash outflow from Investing Activities		**(1,079,741)**	**(1,011,095)**	**(3,066,551)**
Financing Activities				
Cash was received from:				
Drawdown of BNZ loan		1,350,000	–	600,000
Cash was applied to:				
Repayment of lease liability	8	(12,951)	(6,416)	(13,019)
Repayment of BNZ loan	9	(595,250)	(709,616)	(1,287,500)
Dividend paid		(864,194)	(1,728,382)	(2,967,055)
Net cash outflow from Financing activities		**(122,395)**	**(2,444,414)**	**(3,667,574)**
Net decrease in cash and cash equivalents		**1,615,982**	**(802,885)**	**(825,916)**
Cash and cash equivalents, beginning of period		1,680,382	2,506,298	2,506,298
Cash and cash equivalents, end of period		**3,296,364**	**1,703,413**	**1,680,382**

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 2022

	Notes	6 months ended 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (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		(67,202,180)	(69,405,707)	(69,405,707)
Total comprehensive income (loss) for the period		1,796,804	4,368,845	5,170,581
Transactions with owners of the Company in their capacity as owners				
Dividends paid		(864,194)	(1,728,382)	(2,967,055)
Closing Balance		**(66,269,570)**	**(66,765,243)**	**(67,202,180)**
Asset Revaluation Reserve				
Opening Balance		1,295,118	–	–
Revaluation Surplus - Land		–	–	1,295,118
Closing Balance		**1,295,118**	**–**	**1,295,118**
Total Equity		**42,030,548**	**40,239,757**	**41,097,938**

Craig Stobo
Chairman

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 2022

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 2022.

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 2022 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 2022 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 2022

1. Profit before tax

	6 months ended 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (audited)
Included in Profit before tax are the following items:			
Profit before tax			
Legal and consulting expenses	212,816	232,753	547,725
Reversal of impairment of property, plant and equipment	–	–	(2,638,120)
Reversal of impairment of intangible assets	–	–	(145,834)
Te Rere Hau wind farm operational expenses	743,131	664,515	1,243,920

At 30 June 2022, the Group carried out a review of the carrying values of its assets in accordance with NZ IAS 36 - Impairment of Assets. The Board has not updated the impairment calculations to 31 December 2022. The Group carries out a full value in use test annually at year-end. Note 11 also provides further information.

2. Income tax expense

	6 months ended 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (audited)
Net profit before tax	2,497,915	6,125,695	7,244,436
Expected tax expense at 28%	699,416	1,715,195	2,028,442
Adjustments for non-deductible expenses and non-assessable income			
Other non-deductible expenses	582	555	3,202
Reinstatement of tax depreciation on commercial buildings	–	–	2,229
Derecognition of deferred tax asset on IRE buildings	1,114	1,114	–
Prior period adjustment	–	39,986	39,986
Total Adjustments for non-deductible expenses and non-assessable income	**1,696**	**41,655**	**45,417**
Total tax expenses	701,112	1,756,850	2,073,859
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	701,112	1,716,864	2,033,873
Adjustments for deferred tax of prior periods	–	39,986	39,986
Total Deferred tax	**701,112**	**1,756,850**	**2,073,859**
Total tax expense/ (benefit)	**701,112**	**1,756,850**	**2,073,859**

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2022

	6 months ended 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022(audited)
Tax loss			
Tax loss for previous years	19,989,641	24,196,186	24,196,186
Tax loss for the year	–	–	–
Tax loss utilised within the group	(3,291,671)	(6,221,057)	(4,206,545)
Tax loss carried forward	**16,697,970**	**17,975,129**	**19,989,641**

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. Overseas shareholders in general are not entitled to claim the benefit of imputation credits.

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 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (audited)
Net profit after tax	1,796,804	4,368,845	5,170,581
Non-cash items			
Depreciation of property, plant and equipment	2,137,006	1,486,079	3,006,931
Depreciation of right-of-use assets	12,836	6,678	13,356
Amortisation of intangible assets	160,758	155,045	311,966
Interest expense	14,297	7,642	–
Reversal of impairment of property, plant and equipment	–	–	(2,638,120)
Reversal of impairment of intangible assets	–	–	(145,834)
Loss on disposal of property, plant and equipment	(6,568)	20,672	(13,440)
Unrealised loss/(gain) on derivatives	(2,486,889)	(4,951,742)	(1,638,991)
Provision for taxation	701,112	1,756,850	2,073,855
Total Non-cash items	**532,552**	**(1,518,775)**	**969,722**
Changes in working capital			
Trade and other payables	854,507	559,665	613,717
Inventories	10,475	(153,135)	(12,584)
Trade and other receivables	(376,219)	(603,976)	(833,228)
Total Changes in working capital	**488,763**	**(197,446)**	**(232,095)**
Net cash flow from operating activities	**2,818,118**	**2,652,624**	**5,908,209**

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2022

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 2022									
Cost/Revalued amount	5,254,072	448,942	1,623,786	521,844	4,447,656	21,097,384	4,982,406	76,420,044	114,836,134
Accumulated depreciation & impairment	-	471,401	938,832	317,764	2,580,540	8,530,618	2,995,385	53,416,786	69,251,325
Carrying amount	**5,254,072**	**17,541**	**684,954**	**204,080**	**1,867,116**	**12,566,766**	**1,987,021**	**23,003,258**	**45,584,809**
Half-year Ended 31 December 2022									
Opening carrying amount	5,254,072	17,541	684,954	204,080	1,867,116	12,566,766	1,987,021	23,003,258	45,584,809
Additions	-	9,559	-	-	-	-	-	275,627	285,186
Disposals	-	-	-	-	-	-	-	6,567	6,567
Transfers	-	-	-	-	-	-	-	-	-
Depreciation	-	(16,235)	(37,124)	(26,549)	(26,644)	(446,303)	(40,042)	(1,544,111)	(2,137,008)
Impairment	-	-	-	-	-	-	-	-	-
Closing carrying amount	**5,254,072**	**10,865**	**647,830**	**177,531**	**1,840,472**	**12,120,463**	**1,946,979**	**21,741,342**	**43,739,554**
At 31 December 2022									
Cost/Revalued amount	5,254,072	498,501	1,623,786	521,844	4,447,656	21,097,384	4,982,406	76,255,612	114,681,261
Accumulated depreciation & impairment	-	487,636	975,956	344,313	2,607,184	8,976,921	3,035,427	54,514,270	70,941,707
Carrying amount	**5,254,072**	**10,865**	**647,830**	**177,531**	**1,840,472**	**12,120,463**	**1,946,979**	**21,741,342**	**43,739,554**

Land revaluation

Land asset valuations were independently assessed by Baker Ag NZ Ltd in FY22 using a discounted cash flow methodology taking into account the royalties that can be earned from it to derive the estimated market value. The Company updated the Baker Ag valuation to reflect the revised remaining useful life of the wind farm. The existing wind farm is assumed to be fully decommissioned at the end of FY2041, with a gradual reduction in operational turbines over the period FY2032 to FY2041. As the fair value of land is determined using inputs that are unobservable, the Group has categorised Land as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – Fair Value Measurement.

If land were measured using the cost model, the 2022 carrying amount would be $3,958,954 as at 31 December 2022.

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 2022				
Cost	1,737,360	5,522,157	1,452,574	8,712,091
Accumulated amortisation & impairment	(443,125)	(3,732,667)	–	(4,175,792)
Carrying amount	**1,294,235**	**1,789,490**	**1,452,574**	**4,536,299**
Half-Year Ended 31 December 2022				
Opening carrying amount	1,294,235	1,789,490	1,452,574	4,536,299
Additions	–	–	794,557	794,557
Amortisation	(21,070)	(139,689)	–	(160,759)
Closing carrying amount	**1,273,165**	**1,649,901**	**2,247,131**	**5,170,097**
At 31 December 2022				
Cost	1,737,360	5,522,157	2,247,131	9,506,648
Accumulated amortisation & impairment	464,195	3,872,356	–	4,336,551
Carrying amount	**1,273,165**	**1,649,901**	**2,247,131**	**5,170,097**

The Capital Work in Progress (WIP) included in the above consists of costs associated with the re-consenting of the Te Rere Hau Wind Farm. The Group capitalises the direct costs associated with obtaining resource consents to build wind farms. The consent costs associated with the repower project are considered pre-development costs which can be capitalised only if and when the project to repower is subsequently approved. As at 31 December 2022, the fast-track consenting process is well advanced. With a number of key milestones prior to confirming investment decisions, all costs to date directly attributable to the fast-track resource consent have been classified as WIP on the balance sheet and will be reassessed at each annual reporting period.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2022

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.

	Level 1			Level 2			Level 3		
Financial liabilities	6 months ended 31 December 2022 (unaudited) ($)	6 months ended 31 December 2021 (unaudited) ($)	Year ended 30 June 2022 (audited) ($)	6 months ended 31 December 2022 (unaudited) ($)	6 months ended 31 December 2021 (unaudited) ($)	Year ended 30 June 2022 (audited) ($)	6 months ended 31 December 2022 (unaudited) ($)	6 months ended 31 December 2021 (unaudited) ($)	Year ended 30 June 2022 (audited) ($)
Derivative financial liabilities (fair value through profit or loss)	–	–	–	1,704,716	878,854	4,191,605	–	–	–

There have been no transfers between levels in the period.

Energy Derivatives

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 2022 to 30 September 2022, and 50% 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.

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 entered into a $7.3 million IRS with Bank of New Zealand maturing on 31 March 2023. The price of the IRS is 2.61%. The carrying value of the IRS at 31 December 2022 is $132,196 asset (30 June 2022: $187,629 asset). 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 2022

	6 months ended 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (audited)
Results of the transactions with derivative financial instruments:			
Gain (Loss) on realised derivative financial instruments			
Interest swaps			
Net gain/(loss) realised on interest swaps	54,763	(7,776)	(7,776)
VVFPA			
Net gain (loss) realised on VVFPA	2,725,170	949,323	(46,290)
Total Gain (Loss) on realised derivative financial instruments	**2,779,934**	**941,547**	**(54,066)**
Gain (loss) on unrealised fair value derivative liabilities			
Interest swaps			
Net gain (loss) on unrealised interest swaps	(55,433)	130,054	202,719
VVFPA			
Net (loss) gain unrealised on VVFPA	2,542,322	4,821,688	1,436,272
Total Gain (loss) on unrealised fair value derivative liabilities	**2,486,889**	**4,951,742**	**1,638,991**
Unrealised fair value derivative (liabilities) assets	**(1,704,716)**	**(878,854)**	**(4,191,605)**

7. Capital commitments

The Group had $577,373 of capital commitments as at 31 December 2022 for inventories and property, plant and equipment (30 June 2022: $567,415).

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2022

8. Right-of-Use Assets & Leases

	6 months ended 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (audited)
Right-of-Use Assets			
Wind right agreements			
Balance at the start of the reporting period	135,038	148,394	148,394
Additions	73,903	–	–
Depreciation	(12,836)	(6,678)	(13,356)
Balance at the end of the reporting period	**196,105**	**141,716**	**135,038**
Total Right-of-Use Assets	**196,105**	**141,716**	**135,038**
Lease liabilities			
Wind right agreements			
Balance at the start of the reporting period	182,781	195,800	195,800
Additions	73,903	–	–
Interest expense	5,549	5,584	10,981
Lease payments	(18,500)	(12,000)	(24,000)
Balance at the end of the reporting period	**243,733**	**189,384**	**182,781**
Total Lease liabilities	**243,733**	**189,384**	**182,781**
Lease liabilities are made up as follows:			
Current portion	49,087	13,015	13,015
Non-current portion	194,646	176,369	169,766
Total Lease liabilities	**243,733**	**189,384**	**182,781**
Amounts recognised in the income statement:			
Interest charges for lease liabilities	5,549	5,584	10,981
Expense relating to leases of low-value (included in Lease and rental expenses)	679	2,404	4,574
Expense relating to variable lease payments not included in lease liabilities * (included in Lease and rental expenses)	2,649	14,395	32,736

At 31 December 2022	Up to 3 months ($)	Between 3 and 12 months ($)	Between 1 and 2 years ($)	Between 2 and 5 years ($)	Over 5 years ($)
Lease liabilities	15,750	47,250	56,500	72,000	116,500

* 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 2022

9. Term loan

In April 2022, the company renewed its facility with Bank of New Zealand (BNZ) for a further three years to 8 April 2025. We also increased the facility to $10m to facilitate the purchase of the Hoeksema site and to provide additional undrawn headroom in the facility as may be required during the repower consenting process. 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. At 31 December 2022, the effective interest rate was 2.04% (30 June 2022: 1.98%).

As at 31 December 2022 the Company was compliant with all loan covenants (30 June 2022: compliant with all loan 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 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (audited)
Term Loan			
Balance at the start of the reporting period	8,292,437	8,961,596	8,961,596
Drawdown	1,350,000	–	600,000
Amortisation of borrowing costs	14,297	7,642	18,341
Interest expense	180,315	67,037	156,356
Loan repayments	(775,564)	(776,653)	(1,443,856)
Balance at the end of the reporting period	**9,061,485**	**8,259,623**	**8,292,437**
Term loan is made up as follows:			
Current portion	1,205,882	946,154	1,205,882
Non-current portion	7,855,602	7,313,469	7,086,555
Total loan	**9,061,485**	**8,259,623**	**8,292,437**

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 2022.

There have been no other significant changes in the financial risk management objectives and policies since 30 June 2022.

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 wind farm economic life of 19 years to 30 June 2041. The remaining economic life of the generating assets is based on an extensive review process completed by the Group during the year ended 30 June 2022 which included engineering design review, input from specialist renewable energy consultants, asset management planning and financial modelling.

During the year ended 30 June 2022, 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 $2,783,955 for the year ended 30 June 2022. 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 remaining useful life, electricity price, output, operating and capital costs, terminal value, inflation and the discount rate.

Management has not updated any of the impairment calculations to 31 December 2022. 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 2022

12. Related party transactions

Key management

Key management personnel includes the Board of Directors, CEO and GM Operations. Key management personnel short term employee benefits, excluding remuneration to Directors, were $295,323 during the reporting period ended 31 December 2022 (Six months ended 31 December 2021: $245,073; Year ended 30 June 2022: $471,443).

Directors' remuneration

Directors' remuneration of $202,480 was paid and expensed during the reporting period (Six months ended 31 December 2021: $144,613; Year ended 30 June 2022: $330,779).

When compared to 31 December 2021, the Director Fees have increased due to a period where the Board consisted of five directors. It should also be noted that Directors Fees increased at the AGM, held 29 September 2022.

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 31/12/2022 (unaudited)	6 months ended 31/12/2021 (unaudited)	Year ended 30/06/2022 (audited)
Earnings per share			
Net profit (loss) for the year	1,796,804	4,368,845	5,170,581
Number of shares on issue over year	288,063,584	288,063,584	288,063,584
Basic earnings (loss) per share	0.0062	0.0152	0.0179
Diluted earnings per share	0.0062	0.0152	0.0179
Net tangible assets per share			
Net assets	42,030,548	40,239,757	41,097,938
Less:			
Intangible assets	5,170,097	3,670,016	4,536,299
Deferred tax asset / (liability)	(71,110)	947,007	630,002
Net tangible assets	36,931,560	35,622,734	35,931,637
Number of shares on issue over year	288,063,584	288,063,584	288,063,584
Net tangible assets per share	0.1282	0.1237	0.1247

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 2022

14. Significant events subsequent to reporting period end

There were no events subsequent to the reporting period that require disclosure in the financial statements.

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 renewable electricity to the national grid in New Zealand. Sales of electricity are made via Energy Clearing House Limited (a 100% owned subsidiary of NZX 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

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 was fully covered by variable volume fixed price agreements through to 30 September 2022 and half covered to 30 June 2023 with three NZ based counterparties, producing cashflows which are resilient to short term market fluctuations.

17. Going concern

For the reporting period ending 31 December 2022, the Board remains of the opinion that the going concern assumption is appropriate.

As at 31 December 2022, the Group had a cash balance of $3,296,364 and working capital of $1,046,150.

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 2022

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Directors

Craig Stobo (Chairman)
Patrick Brockie
Christine Spring
Philip Cory-Wright
Mark Evans (Resigned 29 September 2022)

—

Leadership Team

Warren Koia (Chief Executive Officer)
Adam Radich (General Manager Operations)
Melanie Strydom (Chief Financial Officer - Naylor Lawrence & Associates)

—

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Share Registrar

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

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15 Customs Street West
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T: +64 9 375 5998
E: enquiries@linkmarketservices.co.nz

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