



NZ Windfarms
POWERED BY NATURE

NZ Windfarms Limited

Interim Report

For the six months ended 31 December 2008



NZ Windfarms
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Chairman's Review

For the Six Month Period Ended 31 December 2008

The most significant event for the Company during this reporting period occurred on 8 December 2008 when the Company announced that its wholly owned subsidiary, NZWL-TRH Limited, had reached an agreement with NPBB Pty Limited to purchase NPBB's 50% interest in the Te Rere Hau Wind Farm joint venture for \$20.1 million in cash.

The acquisition is a positive step forward in driving the Company's growth through the purchase of an asset on an excellent site that is familiar and well advanced in construction. The acquisition will enable NZ Windfarms to access 100% of the Te Rere Hau Wind Farm revenue. The acquisition of the NPBB interest in the Te Rere Hau windfarm has also focussed our attention and resources on maximising value extraction from this high quality asset ahead of other sites with lower wind speeds.

The parties are on track to satisfy the conditions and completing the transaction. The company received a waiver of the resolution requirement from NZX Regulation from Listing Rule 9.2.1, and is in the process of obtaining the various consents on terms acceptable to NZ Windfarms and NPBB from counterparties to material contracts of the Te Rere Hau Joint Venture.

Financial Performance

Financial performance was steady for the six months to 31 December 2008. Net Operating Surplus before discount on acquisition of the remaining 50% interest in the Te Rere Hau Joint Venture, asset impairments and tax, was \$295,000.

The discount on the acquisition of NPBB's 50% share of the Te Rere Hau Joint Venture was \$3,162,000. This does not include the future income the Company will receive from the extra 50% of the carbon credits from the project as these are not recognised until earned.

The Net Result for the six months was a net profit of \$2,594,000, compared to \$1,320,000 for the six months ended 31 December 2007.

Net assets at 31 December 2008 were \$82,724,000, compared to \$80,141,000 at 30 June 2008 and \$79,041,000 at 31 December 2007.

Te Rere Hau Project

The five Stage 1 turbines have been operating on the site since September 2006.

The first four of the 28 Stage 2 turbines have been fully commissioned. A further 33 turbines have been erected on site and are undergoing commissioning. Commissioning has taken longer than foreseen due to manpower limitations of our contractor, Windflow Technology Limited. Windflow has recently increased the manpower resource on site and there has been a commensurate increase in the rate of commissioning of new turbines. Stage 2 is now expected to be fully commissioned in the first quarter of 2009. On the basis of forecasts provided by Windflow Technology Limited we anticipate that the 32 Stage 3 turbines will be commissioned by September 2009.

Management are on track to lodge a Land Use Consent for the extension to the wind farm in April 2009. Recent analysis and modelling of data from the extension area has identified that the wind resource in this area is better than previously thought and we are seeking to maximise it. The analysis also confirms previous indications that the Company would achieve better returns from installing all or part of the 32 turbines on order for stage 4 on the extension site ahead of the existing site. Work is underway to enable this option to be available should we receive a favourable outcome on the consent.

The company is totally reliant on the performance of its turbine supplier, Windflow Technology Limited to manufacture, install and complete the commissioning program within the projected timelines.

WindPower Maungatua

The near-term economic viability of the WindPower Maungatua wind farm is now in question. Consultation with affected parties, undertaken as part of preparation for site consenting, has shown that it will be extremely unlikely for consent to be given to site turbines on the highest ridge within the current site boundary. Without the ability to site turbines on the ridge top, the development concept is not currently viable. In recognition that this project is now unlikely to proceed in the near future, if at all, capitalised costs to date of \$278,000 have been expensed.

Mount Stuart

On 24 November 2008 NZ Windfarms lodged a resource consent application for a very small windfarm located at Mount Stuart, approximately 10km from Milton.

A number of objections have been lodged and management is assessing whether or not to continue with the resource consent application given the objections, the associated impact on economic viability and the minor impact that this project would have on the Company even if implemented.

Directors, Staff and Management

On 1 December 2008 Stephen Cross joined the company as Chief Executive. Stephen has held a number of senior management positions in the energy sector. The management change is a result of the leadership review announced by the company earlier this year.

The refocus on Te Rere Hau has seen a staffing restructure to better match staff resources with planned activity level. Restructures are always unsettling for staff, so on behalf of the Board I would like to thank staff for the professionalism they have displayed through this process.

The Board is currently in the process of selecting new directors to replace the directors who resigned at the 2008 Annual Shareholder meeting.



Derek Walker
Chairman

NZ Windfarms Limited
Group Balance Sheet

30/06/2008 NZ IFRS NZ\$000	As at	Notes	31/12/2008 NZ IFRS NZ\$000	31/12/2007 NZ IFRS NZ\$000
Assets				
Current assets				
63,164	Cash and cash equivalents		45,352	66,409
-	Income tax receivable		29	-
495	Assets held for resale		800	582
2,545	Trade and other receivables		901	1,977
66,204			47,082	68,968
Non-current assets				
4,132	Property, plant and equipment	4	15,130	3,050
8,114	Turbine deposits		25,719	5,682
4,283	Capital work in progress		17,318	1,415
1,305	Intangible assets		5,886	866
8	Investments		-	5
17,842			64,053	11,018
84,046	Total assets		111,135	79,986
Liabilities				
Current liabilities				
3,733	Trade payables		1,923	636
	Other payable – acquisition of Joint Venture	5	20,675	
-	Finance lease	11	100	-
99	Retentions		180	86
36	Income tax payable		-	161
3,868			22,878	883
Non-current liabilities				
-	Finance lease	11	5,490	-
37	Deferred tax		43	62
37			5,533	62
3,905	Total liabilities		28,411	945
80,141	Net assets		82,724	79,041
Equity				
77,878	Share capital	7	77,878	77,886
2,253	Retained earnings		4,847	1,155
80,131	Equity attributable to equity holders of the company		82,725	79,041
10	Minority interest		(1)	-
80,141	Total equity	6	82,724	79,041
102.0	Net tangible assets per share (cents)		105.3	100.2

Signed for and on behalf of the Board on 2 March 2009



Derek Walker
Chairman



Juliet McKee
Director

NZ Windfarms Limited
Group Income Statement

6 months to	Note	31/12/2008 NZ IFRS NZ\$000	31/12/2007 NZ IFRS NZ\$000
Income			
Electricity sales		113	21
Other income		290	120
Total income		403	141
Lease and rental expenses		67	20
Impairment of properties for resale		245	(3)
Impairment of intangible assets		713	-
Other operating expenses		2,063	995
Operating expenses (excluding depreciation and amortisation)		3,088	1,012
Earnings before interest, depreciation, amortisation, discount on acquisition, minority interest and tax		(2,685)	(871)
Amortisation		3	2
Depreciation	4	180	69
Earnings before interest, discount on acquisition, minority interest and tax		(2,868)	(942)
Interest income		2,251	2,915
Interest expense		(46)	(2)
Profit for period before tax, discount on acquisition and minority interest		(663)	1,971
Discount on acquisition of investment		3,162	-
Net profit before taxation and minority interest		2,499	1,971
Income tax (income)/expense		(84)	651
Net profit for the period before minority interest		2,583	1,320
Net loss attributable to minority interest		(11)	-
Net profit attributable to equity holders of the parent		2,594	1,320
Earnings per share			
Basic		3.30	1.68
Diluted		3.30	1.68

NZ Windfarms Limited
Group Statement of Changes in Equity

6 months to	Notes	31/12/2008	31/12/2007
		NZ IFRS NZ\$000	NZ IFRS NZ\$000
Equity at beginning of period		80,141	77,701
Net profit attributable to equity holders of the parent		2,594	1,320
		82,735	79,021
Options exercised		-	40
Less issue costs		-	(20)
Minority interest – share of net loss		(11)	-
Dividends		-	-
Equity at end of period	6	82,724	79,041
Represented by:			
Share capital	7	77,878	77,886
Minority interest		(1)	-
Retained earnings		4,847	1,155
Total equity	6	82,724	79,041

NZ Windfarms Limited
Group Statement of Cash Flows

6 months to	Notes	31/12/2008 NZ IFRS NZ\$000	31/12/2007 NZ IFRS NZ\$000
Operating activities			
Cash was received from:			
Trading revenue		455	78
Interest received		3,768	1,701
		4,223	1,779
Cash was applied to:			
Interest paid		46	2
Payments to suppliers and employees		1,834	1,075
Tax paid		23	435
		1,903	1,512
Net cash inflow from operating activities	8	2,320	267
Investing activities			
Cash was provided from:			
Sale of assets held for resale		-	377
		-	377
Cash was applied to:			
Purchase of intangible assets		210	-
Purchase of property, plant and equipment, turbine deposits and capital work in progress		19,912	6,018
		20,122	6,018
Net cash (outflow) from investing activities		(20,122)	(5,641)
Financing activities			
Cash was provided from:			
Borrowings		-	113
		-	113
Cash was applied to:			
Finance lease payments		10	-
Issue costs of equity	6	-	5
		10	5
Net cash (outflow)/inflow from financing activities		(10)	108
Net (decrease) in cash and cash equivalents		(17,812)	(5,266)
Cash and cash equivalents, beginning of period		63,164	71,675
Cash and cash equivalents, end of period		45,352	66,409
Cash and cash equivalents			
Term Deposits		42,637	64,512
Bank accounts and deposits at call		2,715	1,897
		45,352	66,409

NZ Windfarms Limited

Notes to the Group Financial Statements

1. Reporting and statutory base

NZ Windfarms Limited is a profit orientated company in the business of development and operation of wind power generation assets for the purpose of generating and selling electricity. The company operates solely within New Zealand.

Group financial statements are presented. The Group financial statements comprise NZ Windfarms Limited (the Company), its 100% owned subsidiary, NZW- TRH Limited and the Company's 50% owned subsidiary, WindPower Maungatua Limited. The Company is a limited liability company incorporated and domiciled in New Zealand and has a primary listing on the New Zealand Stock Exchange.

The Group financial statements have been approved for issue by the Board of Directors on 2 March 2009. The financial statements have not been audited.

2. Summary of Significant Accounting Policies

These general purpose financial statements for the interim six months reporting period ended 31 December 2008 have been prepared in accordance with generally accepted accounting practice in New Zealand and NZ IAS 34 *Interim Financial Reporting*.

The principal accounting policies adopted in the preparation of the financial report are unchanged from the audited 30 June 2008 annual report.

The interim financial statements do not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the 30 June 2008 annual report.

3. Segment Information

The Group operates in the electricity generation segment in New Zealand.

NZ Windfarms Limited
Notes to the Group Financial Statements

4. Property, plant and equipment

30/06/2008 NZ IFRS NZ\$000		31/12/2008 NZ IFRS NZ\$000	31/12/2007 NZ IFRS NZ\$000
	Office equipment		
31	Opening carrying amount	102	31
89	Additions	49	71
-	Acquisition of interest in Joint Venture	8	-
120		159	102
(18)	Depreciation	(16)	(7)
102	Closing carrying amount	143	95
	Motor vehicles		
-	Opening carrying amount	16	-
18	Additions	-	9
18		16	9
(2)	Depreciation	(2)	-
16	Closing carrying amount	14	9
	Building, plant and equipment		
14	Opening carrying amount	199	14
192	Additions	20	5
-	Acquisition of interest in Joint Venture	50	-
206		269	19
(7)	Depreciation	(19)	(2)
199	Closing carrying amount	250	17
	Foundations		
304	Opening carrying amount	837	304
537	Additions	280	7
-	Acquisition of interest in Joint Venture	1,033	-
841		2,150	311
(4)	Depreciation	(2)	(2)
837	Closing carrying amount	2,148	309
	Electrical		
252	Opening carrying amount	317	252
70	Additions	5,009	17
-	Transfer to intangible assets	(4,211)	-
-	Acquisition of interest in Joint Venture	5,299	-
322		6,414	269
(5)	Depreciation	(61)	(3)
317	Closing carrying amount	6,353	266
	Roading		
761	Opening carrying amount	1,327	761
586	Additions	126	54
-	Acquisition of interest in Joint Venture	1,423	-
1,347		2,876	815
(20)	Depreciation	(17)	(8)
1,327	Closing carrying amount	2,859	807
	Land use consents		
123	Opening carrying amount	-	123
51	Additions	-	38
(174)	Transfer to intangible assets	-	-
-	Depreciation	-	161
-	Closing carrying amount	-	161
	Wind Turbines		
1,433	Opening carrying amount	1,334	1,433
(6)	Transfer to intangible assets	(30)	-
-	Transfer from capital work in progress	552	-
-	Transfer from turbine deposits	236	-
-	Acquisition of interest in Joint Venture	1,334	-
1,427		3,426	1,433
(93)	Depreciation	(63)	(47)
1,334	Closing carrying amount	3,363	1,386
	Total property plant and equipment		
2,918	Opening carrying amount	4,130	2,918
1,543	Additions	5,487	201
-	Acquisition of interest in Joint Venture	9,146	-
(180)	Transfer to intangible assets	(4,241)	-
-	Transfer from capital work in progress	552	-
-	Transfer to turbine deposits	236	-
4,281		15,310	3,119
(149)	Depreciation	(180)	(69)
4,132	Closing carrying amount	15,130	3,050

NZ Windfarms Limited
Notes to the Group Financial Statements

5. Te Rere Hau Joint Venture

Te Rere Hau Joint Venture was established on 6 October 2006 and became operational on 29 December 2006.

On 5 December 2008 the Company's wholly owned subsidiary, NZWL-TRH Limited, reached an agreement with NPBB Pty Limited to purchase NPBB's 50% interest in the Te Rere Hau Wind Farm joint venture for \$20.1 million in cash. It is expected that settlement will occur during the first quarter of 2009.

The effect of the acquisition on the Group's financial statements was:

	Book Value	Fair value Adjustment	Fair value on Acquisition
	NZ\$000	NZ\$000	NZ\$000
Current Assets	1,673	-	1,673
Long Term Assets	27,107	1,367	25,740
Current Liabilities	(711)	-	(711)
Long Term Liabilities	(2,865)	-	(2,865)
	25,204	1,367	23,837
Represented by:			
Other payable			20,675
Discount on acquisition			3,162
			23,837

6. Equity

12 months to 30/06/2008		6 months to 31/12/2008	6 months to 31/12/2007
NZ IFRS		NZ IFRS	NZ IFRS
NZ\$000		NZ\$000	NZ\$000
	Net proceeds of shares issued & fully paid		
77,866	Opening balance	77,878	77,866
-	Issued during the period	-	-
18	Fair value of options exercised during the period	-	25
(6)	Less issue costs	-	(5)
77,878	Net proceeds of shares issued & fully paid	77,878	77,886
	Retained earnings		
(165)	Opening balance	2,253	(165)
2,418	Net profit for the period	2,594	1,320
2,253	Closing retained earnings	4,847	1,155
10	Minority interest	(1)	-
80,141	Total equity	82,724	79,041

NZ Windfarms Limited
Notes to the Group Financial Statements

7. Share Capital

30/6/08			31/12/08	31/12/07
Shares			Shares	Shares
846,586	Ordinary shares issued		846,586	846,586
2,153,414	Share split	25-Aug-05	2,153,414	2,153,414
2,898,859	Ordinary shares issued - public \$1.00 / share	13-Dec-05	2,898,859	2,898,859
1,067,000	Ordinary shares issued - public \$1.10 / share	13-Dec-05	1,067,000	1,067,000
3,411,519	Share options exercised - \$1.10 / share	29-Sep-06	3,411,519	3,411,519
68,181,819	Ordinary shares issues - public \$1.10 / share	6-Jun-07	68,181,819	68,181,819
78,559,197	Total closing shares		78,559,197	78,559,197

8. Reconciliation of Profit attributable to equity holders of the parent with Operating cash flows

6 months to	31/12/2008	31/12/2007
	NZ IFRS	NZ IFRS
	NZ\$000	NZ\$000
Net Profit attributable to equity holders of the parent	2,594	1,320
Non cash items		
Depreciation	180	69
Discount on purchase of investment	(3,162)	-
Amortisation of intangible assets	3	2
Impairment of intangible assets	713	-
Impairment of properties held for resale	245	-
Taxation	(107)	216
Net loss attributable to minority interest	(11)	-
Share options issued	-	25
Gain on sale of property	-	(2)
	455	1,630
Changes in working capital		
Trade and other payables	169	(139)
Trade and other receivables	1,558	(1,400)
Goods and services tax	138	176
	1,865	(1,363)
Net cash flow from operating activities	2,320	267

9. Capital Commitments

At 31 December 2008 the Group's capital commitments were \$34,708,000 (30 June 2008 - \$13,849,000; 31 December 2007 - \$13,228,000).

NZ Windfarms Limited
Notes to the Group Financial Statements

10. Operating Leases

	31/12/2008	31/12/2007
	NZ IFRS	NZ IFRS
	NZ\$000	NZ\$000
Lease payments expensed during the period	67	20
Non cancellable lease commitments:		
Within 1 year	960	35
1 to 5 years	5,835	120
More than 5 years	15,326	1,023

The operation of the Te Rere Hau wind farm is on land governed by a Wind Rights Agreement. This Agreement provides for an easement to be granted to allow the establishment of a wind turbine generating facility. In exchange for easement access, a royalty is payable based on gross revenue from the wind farm. The windright agreement is for a maximum period of 75 years. The maximum life of royalty payments is 25 years for this note disclosure (also refer to note 12).

In September 2008 the group entered into a 20 year agreement to lease an electricity line connection from the Te Rere Hau wind farm to the national grid.

The Company leases office premises under an operating lease. The lease runs for a period of three years with an option to renew the lease for a further three years. The lease payment is reviewed every two years to reflect market rentals.

11. Finance Lease

Non cancellable lease commitment:

Within 1 year	638	-
1 to 5 years	2,550	-
More than 5 years	9,351	-

In September 2008 the group entered into a 20 year agreement to lease an internal electricity gathering system, which connects turbines to the onsite sub-station.

In accordance with the agreement, the Company is required to provide the lessor with a bank bond or guarantee. The bond shall be payable to the lessor upon its right to terminate the agreement under certain circumstances. The bank bond has been secured by "ring-fencing" \$4,637,000 of the Terms Deposits balance (30 June 2008 \$4,637,000; 31 December 2007 \$4,637,000).

12. Put option agreement

The Company holds an interest over the land that the Te Rere Hau wind farm is on by way of an easement which creates rights to occupy land. The agreement provides for the property owner to require the Company to purchase the land (a put option) at valuation. The property owner cannot exercise the put option until the earlier of 30 June 2009 or six months after a notice is served by either party pursuant to certain conditions.

NZ Windfarms Limited

Notes to the Group Financial Statements

13. Event subsequent to 31 December 2008

On 25 February 2009 NZWL-TRH Limited entered into a Deed of Negative Pledge where it undertook that it would not create or permit to arise or exist over its assets any Security Interest other than a Permitted Security Interest. NZWL-TRH Limited holds the assets associated with the Te Rere Hau wind farm.

14. Comparatives

The comparative figures have been amended to correct the classification of the payments made under a capacity agreement from Property, plant and equipment to Intangible assets. The effect of the reclassification was to reduce Property, plant and equipment and increase Intangible assets at 30 June 2008 by \$626,000 and at 31 December 2007 by \$577,000.

The comparative figures have been amended to correct the classification of turbines not commissioned from Property, plant and equipment to Capital work in progress. The effect of the reclassification was to reduce Property, plant and equipment and increase Capital work in progress at 30 June 2008 by \$3,488,000 and at 31 December 2007 by \$838,000.