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09

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2009

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**NZ Windfarms**  
POWERED BY NATURE

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# CHAIRMAN'S REVIEW

FOR THE YEAR ENDED 30 JUNE 2009

On behalf of the Directors it is my pleasure to report on the progress the Company has made in the year to 30 June 2009.

As highlighted in the December 2008 Interim Report, 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 first tranche payment of \$18 million was settled on 17 March 2009 and the balance of \$2.1 million is due on 17 September 2009.

The acquisition of NPBB's interest in the Te Rere Hau wind farm has focused our attention and resources on maximising value extraction from this high quality asset ahead of other sites with lower wind speeds.

## FINANCIAL PERFORMANCE

Financial performance was steady for the year to 30 June 2009. Net operating deficit before discount on acquisition of the remaining 50% interest in the Te Rere Hau Joint Venture and tax, was \$2,655,000 (30 June 2008 – \$3,654,000 profit). Revenue from electricity generation increased from \$162,000 in the 2008 financial year to \$812,000 as turbines were livened to the grid and became operational. However, this revenue increase was offset by higher operational costs and depreciation on the extra commissioned turbines. Revenue has also been impacted by lower than expected electricity prices resulting from higher than average inflows of water into the hydro lakes and lower demand due to the economic recession. Interest income of \$2,938,000 was \$2,860,000 less than in the 2008 financial year due to lower interest rates prevailing in the market and as a result of expending funds on the Te Rere Hau build programme.

The discount on the acquisition of NPBB's 50% share of the Te Rere Hau Joint Venture was \$3,209,000. 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.

Net profit for the year was \$961,000 (30 June 2008 – \$2,418,000). Total assets at 30 June 2009 were \$94,413,000 (30 June 2008 – \$84,046,000).

## DIVIDEND

The 2007 Prospectus forecasted that no dividends were expected to be paid in the financial years ending 30 June 2007 and 30 June 2008 and that the Company's intended dividend policy was to pay 50% of the operating free cashflow earned from the sale of electricity from the financial year ending 30 June 2009 onwards.

During the year ended 30 June 2009 the operating free cashflow earned from the sale of electricity was a deficit of \$3,011,000.

The cashflow deficit is the result of timing delays from that forecasted in the Prospectus to complete construction of the Te Rere Hau wind farm.

As a result your Board has resolved that no dividend will be declared for the financial year ended 30 June 2009.

## FUNDING

Following the successful capital raising in June 2007, the Company secured the financial resources to progress with its share of the Te Rere Hau project and to accelerate the sourcing and consenting of further projects.

The acquisition of NPBB's 50% interest in the Te Rere Hau Wind Farm Joint Venture 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 has resulted in the requirement to raise additional funds to complete the Te Rere Hau wind farm project. However the Board has determined that it will not finalise a funding strategy until it has a better understanding of the implications of not receiving IEC certified turbines, and has established that the turbines are, or will be fit for purpose for the Te Rere Hau wind farm site.

The consequence of not having finalised the funding strategy is that there exists at the date of this report an uncertainty that the Company is in a position to pay its debts as they fall due and this has been noted in the financial statements and the Audit Report.

The Board and management are totally focused on obtaining independent expert advice on whether the turbines supplied and to be supplied for Te Rere Hau are fit for purpose for the conditions expected on site, even though they may vary from the final design submitted by Windflow Technology for certification.

## GOING CONCERN

The financial statements have been prepared using the going concern assumption. The continued operations of the Group are dependent on the ability to fund future activities from operational cashflows and funding.

The Company and its subsidiaries have prepared business plans and budgets which indicate that cash generated as a result of operations is insufficient for the Company to continue operating for a period of at least 12 months from the date these financial statements were approved by the Board of Directors.

The Company is proposing to raise funding in order to complete the development of the Te Rere Hau wind farm. On completion of the wind farm the Company's cashflow projections demonstrate sufficient net cash surpluses to fund the ongoing operations of the wind farm. The timing and method of raising funding will be determined by the Board pending progress with resolving the IEC certification issue.

# CHAIRMAN'S REVIEW cont.

FOR THE YEAR ENDED 30 JUNE 2009

For the reasons set out above, the Board believes the going concern assumption is a valid basis on which to prepare the financial statements. The Board reached this conclusion having regard to the circumstances which they consider likely to affect the Company during the period of one year from the date these financial statements are approved, and to circumstances which they believe will occur after that date which could affect the validity of the going concern assumption.

While the Board is confident in the Company's ability to continue as a going concern, there is uncertainty with respect to achieving the operational cashflows predicted and the raising of additional funding prior to utilisation of available cash resources. Accordingly, there is uncertainty as to whether the Company can continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable. If the Company was unable to continue in operational existence and pay debts as and when they become due and payable, adjustments may have to be made to reflect the situation that assets may need to be realised and liabilities extinguished other than in the normal course of business, and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

The external auditor has referred to the fundamental uncertainty in its audit report.

## TE RERE HAU PROJECT

Since October 2008 when the electricity connection was completed for the site, progress on the installation of turbines has been good. All of the 28 turbines in Stage 2 and 13 turbines of Stage 3 had been fully commissioned by the end of the financial year. The remaining 19 Stage 3 turbines are expected to be fully commissioned by the end of October 2009. At 19 August 2009 a total of 50 turbines were livened to the grid and operational.

Turbine availability for the first six months of the 2009 calendar year was reported by Windflow Technology to be 91.4%. This is below the warranted availability level of 95%, which gets calculated over a full calendar year. Recently installed turbines are currently operating at an acceptable level. Depending on the year end availability figure a warranty claim may apply.

The Te Rere Hau wind farm is currently consented for 97 turbines. The last 32 turbines comprise Batch 4 of the turbine order placed with Windflow Technology on 30 September 2008.

When selecting the Windflow WF500 turbines for use at Te Rere Hau, NZ Windfarms required that Windflow Technology agree to seek Class 1A Design Certification of the WF500 turbine in accordance with the International Electrotechnical Committee Standard WT-01:2003 (IEC Class 1A Certification). The Company has placed orders with Windflow Technology for 97 turbines in reliance on positive progress reports from Windflow Technology on the certification process.

Windflow Technology has advised that the turbines supplied to date and intended to be supplied for use at Te Rere Hau will not meet IEC Class 1A Certification standard. We are now seeking expert advice to determine how material the difference between the turbines supplied is from turbines that would gain IEC certification. We are also reserving our position in regard to what mitigation or remediation we will seek from Windflow Technology. Our objective is to be satisfied that all of the turbines supplied by Windflow Technology will be fit for purpose on the Te Rere Hau site.

On 29 May 2009 NZ Windfarms lodged a resource consent application with Tararua District Council to install 56 turbines in an area adjoining the current consented Te Rere Hau wind farm. This Extension area has a better wind resource than the lower slopes of the existing farm and hence NZ Windfarms would like to preferentially locate most or all of the Batch 4 turbines in this area. Submissions closed on 27 July 2009 and management is in the process of reviewing them. The resource consent hearing is scheduled to commence on 5 October 2009.

We recently had an independent energy yield forecast completed for the whole Te Rere Hau site, incorporating wind and turbine performance data gathered from the site over the past two years. This has shown by optimising the development and siting the 32 Batch 4 turbines in the Extension area an expected annual energy yield of 153 Gigawatt hours per annum is forecast from an installed capacity of 48.5 MW (97 turbines). The study has also shown that the expected annual output from siting all the Batch 4 turbines on the lower slopes of the existing consented Te Rere Hau site would be 122 Gigawatt hours per annum.

The location and timing of the construction programme for Stage 4 will depend on the progress and outcome of the consent application and the IEC review, and the Company will choose the best option to give the optimum outcome.

Successful consenting of the Extension area will also present NZ Windfarms with expansion opportunity beyond the current project scope and allow existing infrastructure to be leveraged. NZ Windfarms forecast output from 56 turbines (inclusive of the planned relocation of Batch 4 turbines) in the Extension area is 95 Gigawatt hours per annum.

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Should we be successful with the resource consent we will evaluate the economics of installing the additional 24 turbines in the Extension area.

#### **OTHER PROJECTS**

In May 2009 the Company sold its interest in the Mt Stuart project, near Milton, Otago. As signalled in the Interim Report, the Mt Stuart project was not significant to NZ Windfarms and the sale allows all efforts to focus on successful completion of the Te Rere Hau wind farm. The sale resulted in a small gain for NZ Windfarms.

Earlier this year a review of the WindPower Maungatua wind farm project showed that continued investment in the project could not be justified and that led to the decision to abandon the project. In recognition that NZ Windfarms will not proceed with this project capitalised costs to date have been expensed.

#### **DIRECTORS AND STAFF**

On 1 May 2009 Wyatt Creech was appointed as an additional Director of NZ Windfarms Limited. Shareholders will be invited to confirm this appointment at this year's Annual Meeting.

Steve Cross was appointed as Chief Executive effective from December 2008. Steve has significant experience in the energy industry and a strong commercial background.

The refocus on Te Rere Hau has seen a staffing restructure to better match staff resources with planned activity level. Staffing levels will continue to be monitored to ensure optimal resources are achieved.

My thanks go to Directors and staff for their support over another challenging year.

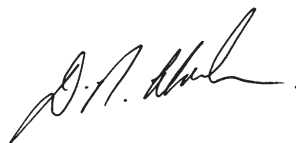
#### **FUTURE PROSPECTS**

Our first priority remains the completion of the Te Rere Hau project. We want to achieve a quick resolution to the present issue with Windflow Technology over turbine certification so we can proceed with confidence to raise the necessary funding to complete the project. A positive outcome to the resource consent application on the Extension will also provide a better energy yield from the first 97 turbines ordered.

By the end of October we will have the first three stages of the project completed, a total of 65 turbines which are expected to provide an annual energy yield of 95GWh. This will enable the Company to generate positive operational cashflow on an annual basis with expected electricity and carbon prices and average annual wind conditions.

Completion of Stage 4 will be dependent on the outcome of the resource consent process but we are optimistic that we can complete that stage by the end of Q3 2010.

We are forecasting a small profit for the year ended 30 June 2010, with the Company generating positive profits and cashflow from the following year, once the project is completed. However, the Company is still exposed to the spot market for electricity revenue and thus will have earnings volatility while this remains the case. We continue to monitor this exposure and the trade-offs between revenue certainty and the cost of achieving that certainty with a generation source subject to the weather conditions on a daily basis.



DEREK WALKER  
Chairman

# CHIEF EXECUTIVE OFFICER'S REVIEW

FOR THE YEAR ENDED 30 JUNE 2009

Since I became CEO of NZ Windfarms at the beginning of December 2008 a lot has happened both within the Company and in the external environment in which we operate. The acquisition of the NPBB interest in Te Rere Hau, which was announced on 8 December 2008, has been the most significant development for NZ Windfarms over the past year as it immediately doubled the exposure NZ Windfarms has to the Te Rere Hau project, doubled the funding requirement and gave access to 100% of the cashflows from the project.

## PROJECT REVIEW

The NPBB acquisition and the changed business environment have caused us to review all our projects to ensure their ongoing feasibility. Specifically, we undertook detailed reviews of the Mt Stuart project and the 50% interest held in WindPower Maungatua Limited. As a result of consultation with affected parties, it became apparent that the Maungatua project would be most unlikely to receive resource management consent. Apart from that consideration, forecast project costs, reduced scale of economy, reduced forecast energy yield and difficulties with transmission from the site meant that underlying economics could not be made to work for this site. All these factors meant that continued investment in the project could not be justified and that led to the decision to abandon the project.

Similarly, on review the Mt Stuart project simply didn't offer the kind of scale to make the project worthwhile for NZ Windfarms. We were pleased to be able to sell the project on to a small, locally based generation company, Pioneer Generation, who can incorporate this project into their portfolio of other small projects located in the region. The sale also meant that our energies were able to be focused entirely on Te Rere Hau which became a lot more important to us after acquisition of the NPBB 50% interest.

## TE RERE HAU WIND FARM

Early in calendar year 2009 we commissioned an independent energy yield forecast for Te Rere Hau. This work, involving analysis of wind data and computer simulations based on various turbine layout configurations, highlighted significant benefits from preferentially locating the 32 Batch 4 turbines in the Eastern Extension area of the farm rather than on the lower slopes of the existing consented area. The modeling showed that the expected annual electricity output from the farm with 65 turbines on the existing farm and 32 located on the Extension area would be 153 GWh/annum whilst the expected output with all 97 turbines located on the existing farm would be 122 GWh/annum. Separate wind modeling work undertaken at around the same time also identified that 56 turbines could be located on the Extension area to optimally harvest the available wind resource.

Consequently, on 29 May 2009 NZ Windfarms lodged a resource consent application with Tararua District Council to install 56 turbines on the area adjoining the current consented

Te Rere Hau wind farm – the Eastern Extension area.

The location and timing of the construction programme for Stage 4 will depend on the progress and outcome of the consent application and the Company will choose the best option to give the optimum outcome.

Successful consenting of the Eastern Extension area will also present NZ Windfarms with expansion opportunity beyond the current project scope and allow existing infrastructure to be leveraged. The resource consent hearing is scheduled to commence on 5 October 2009. Whilst this timing will cause a break in the construction programme at Te Rere Hau, the economics of locating the 32 Batch 4 turbines on the Eastern Extension rather than the lower slopes of the existing farm are compelling and outweigh the effects of any project delay. This time can also be used to re-set the next stage of the project and ensure we move forward from a stable platform.

After a patchy start, actual installation and commissioning of turbines at Te Rere Hau has progressed well this calendar year and consistent progress has been made. Our expectation remains that all 65 turbines from the Batch 1, 2 and 3 orders will be operational by the end of October. As turbines have been brought on line our electricity sales volumes have grown, although abnormally low electricity prices through the year have not seen this growth in output translate to significant increases in revenue.

The increase in turbine numbers over this calendar year has also had a knock-on effect in terms of visual and sound impact in the area surrounding the farm. Te Rere Hau is now looking like a wind farm and has a visual presence. Coinciding with the increased visual presence there have been complaints by persons living in the vicinity of the farm about increased noise levels. NZ Windfarms is committed to ensuring it operates within its resource consent conditions at all times and has undertaken extensive noise monitoring to ensure that we are operating within consent conditions and to gain knowledge about propagation of noise from the site. The monitoring work has confirmed that NZ Windfarms is complying with its resource consent conditions.

The NZ Windfarms' Investment Statement and Prospectus of May 2007 contained a technology report on the WF500 turbine from Garrad Hassan and Partners Limited. In that report Garrad Hassan stated that:

"In Garrad Hassan's experience, no matter how carefully the design is made and the prototype manufactured, problems will emerge with the early production series. Garrad Hassan does not, however, anticipate that any such problems would be of a fundamental nature and hence they should be suitable for correction by re-design or by amendments to the manufacturing process."

This observation was insightful as indeed some problems have been experienced with some turbines and particularly those delivered early in the project. These problems have affected turbine availability which for the first six months of the 2009 calendar year was reported by Windflow Technology to be 91.4%. This is below the warranted availability level of 95%. As an example, problems have been experienced with cast gears on 6 turbines where an incorrect heat treatment process applied during manufacture made these gears prone to cracking. The turbines with affected gears are being repaired under warranty but with some impact on availability. More recently two turbines experienced generator failure and have been repaired under warranty. The root cause of failure for those is yet to be ascertained but there are no grounds at present to believe this is likely to be a recurrent problem.

Two of the first turbines to be delivered experienced failure of their pitch bearings. Windflow Technology replaced these bearings under warranty and conducted an investigation into the failure root cause analysis. That work concluded that the circumstances leading to the failure were peculiar to these two turbines and are most unlikely to occur again.

Recently installed turbines are currently operating at an acceptable level and overall availability levels should improve as early problems are resolved. For availability warranty purposes, availability is determined over a full calendar year. Depending on the full year availability a warranty claim may apply.

In addition to the availability warranty, the turbines are subject to a power curve warranty which requires the turbines to operate at no less than 95% of their predicted output. The power curve determines the relationship between wind speed and power output for the turbine. NZ Windfarms has yet to ascertain the actual performance against power curve but is collating data to determine this.

Obviously NZ Windfarms is concerned to ensure that turbines it receives are fit for purpose. To this end NZ Windfarms has been taking advice on engineering issues as they arise and has also had inspections conducted of completed turbines. To a large extent NZ Windfarms is reliant on Windflow Technology's quality systems to ensure that manufacturing standards are being met and our efforts are being directed to ensuring that these systems are effective and reported non conformance are being acted on.

As reported to shareholders, we were concerned to learn that the design being submitted by Windflow Technology to Lloyds Register for IEC Class 1A Certification differs in varying degrees to the design of the turbines being supplied at Te Rere Hau. NZ Windfarms has always seen IEC Certification as a risk mitigant to the technology risk associated with being the first customer of a production version of the WF500 turbine. This is another area where NZ Windfarms' prime concern is to ensure that turbines being supplied to it are fit for purpose and meet the requirements of the site.

## **HEALTH, SAFETY AND ENVIRONMENTAL**

Health, safety and environmental issues are paramount considerations for NZ Windfarms. Regular health, safety and environmental meetings are held on site and all incidents are investigated. During the year ended 30 June 2009 one minor personal injury incident occurred on site. Measures have been undertaken to address the circumstances of the incident.

## **FINANCIAL PERFORMANCE**

Electricity revenues for the year totaled \$812,000. The average price received was \$44.06/MWh. Electricity prices have been well below expectation due to high levels of hydro storage going into winter and higher than average river inflows at the same time. Also, demand for electricity has been subdued for much of the past year. We are hopeful that we will see a return to more normal conditions before much longer, where we will see electricity prices that are more reflective of the prices needed to support investment in new generation rather than reflecting short term over-supply.

## **FUTURE PROSPECTS**

Along with other potential wind farm developers, NZ Windfarms is finding it difficult to identify potential wind farm sites that would be economically viable in the near future. Delays and the uncertainty around implementation of an Emissions Trading Scheme or price on carbon means there is uncertainty about when renewable generation will benefit vis a vis non renewable generation. Successful projects require coincidence of future electricity price, turbine cost, consentable sites and access to transmission. The best opportunities for NZ Windfarms in the short term lie in completion of Te Rere Hau and exploitation of incremental development opportunities attached to the Eastern Extension. Until there is a more certain investment climate for wind farm developments we are minimising development expenditure and have reduced staffing numbers accordingly.

We are pleased with the progress that has been made on the development of Te Rere Hau this year and look forward to completing the entire project. Our minds are now being turned from project matters to operational aspects as the wind farm transitions into a fully operating farm. Different skills will be needed at that stage and a different management focus will be required.



STEVE CROSS  
Chief Executive

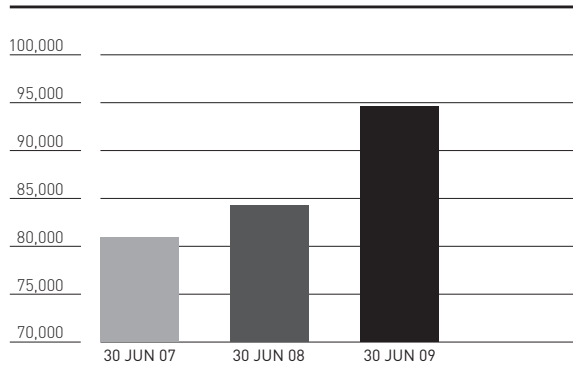
# HIGHLIGHTS

FOR THE YEAR ENDED 30 JUNE 2009

## GROUP FINANCIAL STATISTICS (\$'000)

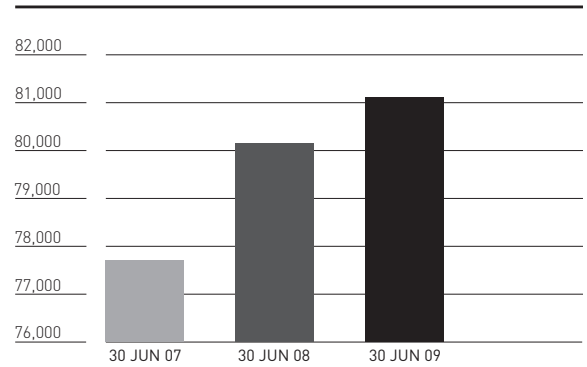
### TOTAL ASSETS

NZ\$'000



### EQUITY

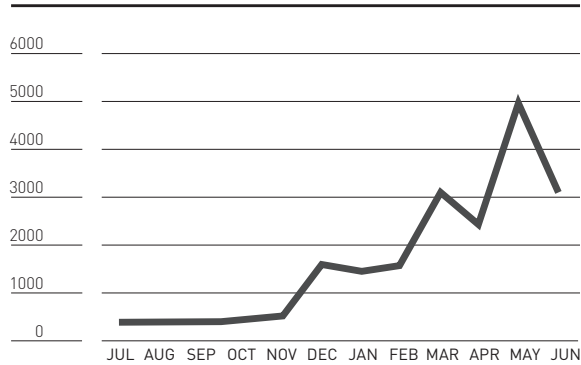
NZ\$'000



## OPERATIONAL STATISTICS FOR THE PERIOD JULY 2008 TO JUNE 2009

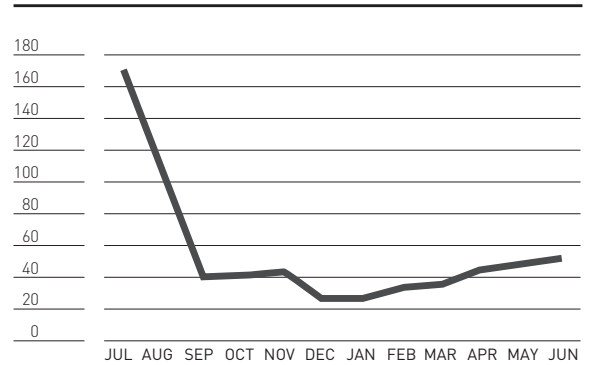
### MONTHLY MWH – TE RERE HAU

MWH/MONTH



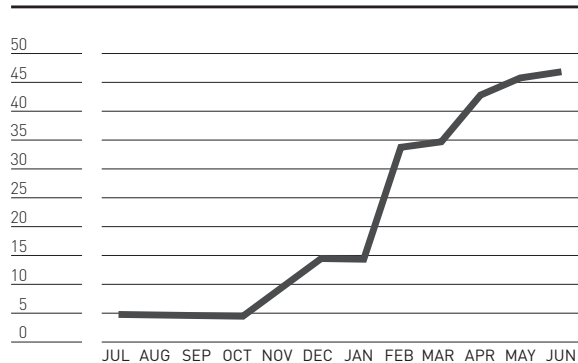
### AVERAGE ELECTRICITY PRICE – TE RERE HAU

\$/MWH



### OPERATIONAL TURBINES – TE RERE HAU

PER MONTH



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# DIRECTOR PROFILES

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The Directors of NZ Windfarms Limited are:

## **DEREK WALKER**

### **Chairman**

Derek is a professional company Director and business consultant with previous experience in a variety of senior management positions in the electricity industry to Chief Executive level. He holds an honours degree in electrical engineering and a business studies degree.

His association with wind farms began in 1992 when he was Managing Director of CentralPower Limited. This culminated in the building of the first stage of the Tararua wind farm by CentralPower in 1998. (The completed wind farm was subsequently sold to TrustPower as part of industry reforms to split line and energy functions).

Derek is presently a Director of a number of other companies including Palmerston North Airport Limited, Quotable Value Limited, Speirs Group Limited and The Bio Commerce Centre Limited, and is a trustee of the Central Energy Trust.

## **VICKI BUCK**

### **Director**

Vicki Buck is a Director of a number of companies that are active in renewable energy or climate change mitigation. She has an MA (Hons) from Canterbury University and an honorary PhD in commerce from Lincoln University. She is a Director of Aquaflow Bionomic, Carbonscape and Celsius.

She was Mayor of Christchurch from 1989 until she stood down in 1998.

Vicki has been a Director on many boards including the Reserve Bank, Christchurch International Airport Limited and Christchurch City Holdings Limited. She also chairs the Learning Discovery Trust which has established two new state schools based on discovery learning (Discovery1 and Unlimited) in Christchurch in the last eight years.

## **WYATT CREECH**

### **Director**

Wyatt Creech was a cabinet minister between 1990 and 1999 and was Deputy Prime Minister from 1998 to 1999. Since retiring from parliament in 2002, he has led the establishment of the Open Country Dairy Company Limited and been involved in other business ventures. He is presently a member of the technical advisory group to the Resource Management Act reform process.

Wyatt was appointed to NZ Windfarms on 1 May 2009.

## **SIMON MACKENZIE**

### **Director**

Simon Mackenzie is Group Chief Executive Officer of Vector Limited. He has extensive experience in the energy and telecommunications sectors, including strategy, regulation, network management, information technology and the energy market. During his time at Vector, Simon has been heavily involved in many of the industry reforms, both at a policy and a business level.

He also has experience in construction and consultancy environments both in New Zealand and offshore. He has completed the Advanced Management Programme at the Wharton School, University of Pennsylvania.

## **JULIET MCKEE** QSO, A.F.INST.D

### **Director**

Juliet is an economist, management consultant and professional Director, working both in New Zealand and offshore (Asia, Middle East, Pacific and Africa).

Juliet has served on over fifteen boards over the last 20 years and is an Accredited Fellow of the Institute of Directors in New Zealand. She is Deputy Chair of Warren and Mahoney Architecture.

Juliet was appointed an Honorary Fellow to the School of Government at Victoria University in 2004. She is a member of the Pacific Economic Cooperation Council and was installed as a laureate in the Marsden School Business Hall of Fame in 2007. Juliet was awarded the Queen's Service Order for Public Services in 1996 and the Commonwealth Medal in 1990 for Services to the Community.

## **MICHAEL STIASSNY** CA, BCOM, LLB

### **Director**

Michael Stiassny has widespread experience in all matters financial. Michael is currently the senior partner of KordaMentha in New Zealand – a chartered accountancy firm specialising in financial consulting work.

Michael is currently Chairman of Vector Limited and The New Zealand Racing Board, and is a Director of a number of private and public companies including Waratah Receivables Corporation NZ Ltd.

Michael is a Fellow of Institute of Directors (FinstD) and Council Member of the Institute of Directors in New Zealand Inc.

# CORPORATE GOVERNANCE STATEMENT

This statement is an overview of the Group's main corporate governance policies, practices and processes followed by the Board.

## **COMPLIANCE WITH NZX BEST PRACTICE CODE AND OTHER GUIDELINES**

The NZX Listing Rules require listed companies to disclose in their annual report whether and to what extent their corporate governance principles materially differ from the NZX Corporate Governance Best Practice Code. There are no significant differences from NZX Corporate Governance Best Practice Code. The following section summarises the key governance and compliance policies and procedures in place:

### **Code of Conduct**

NZ Windfarms expects its Directors and employees to maintain high ethical standards that are consistent with its core values, business objectives and legal and policy obligations. The Directors support the principles set out in the Codes of Practice for Directors issued by the Institute of Directors in New Zealand. Whilst recognising that the Code expresses principles and does not purport to determine the detailed course of conduct by Directors on any particular matter, the Directors are committed to the highest standards of behavior and accountability.

A formal Code of Conduct has been adopted by the Board. The Code sets the ethical standards expected of the Directors, employees and contractors of NZ Windfarms and deals specifically with conflicts of interest, receipt and use of corporate information, assets and property, delegated authorities, compliance with applicable laws, regulations, rules and policies, the Company's Whistleblowers Policy and disciplinary procedures. The Code of Conduct is on the Company's website.

### **Role of the Board of Directors**

The Board of Directors is elected by the shareholders and is responsible for the corporate governance of the Company. The Board is the final body responsible for decision making within the Company and maintaining the Company's corporate governance and ethical business practices. The Board of Directors corporate governance responsibilities include overseeing the management of the Company and its subsidiaries to ensure proper direction and control of NZ Windfarms' activities.

Corporate Governance encompasses the requirement for the Board to discharge such responsibilities, to be accountable to the shareholders and other stakeholders for the performance of the Company, and to ensure that the Company is compliant with laws and standards.

The Board establishes the corporate objectives of the Company and monitors management's implementation of strategies to achieve the objectives. It is engaged in ongoing strategic planning in order to meet the objectives. It provides an oversight of compliance and risk, it measures and monitors management performance and it sets in

place the policy framework within which the Company operates.

The Board monitors financial results comparing them to budgets and annual plans at monthly meetings.

The Board has delegated components of its powers to subcommittees of the Board. The ambit of these delegations is documented in the subcommittees Terms of Reference and by relevant Board resolutions.

### **Delegation of authority**

The Board delegates its authority where appropriate to the Chief Executive Officer for the day-to-day affairs of NZ Windfarms. Formal policies and procedures exist that detail the delegated authorities and parameters that the Chief Executive Officer and in turn, his direct reports, are able to operate within.

### **Continuous disclosure obligations**

Continuous disclosure obligations of NZX require all listed companies to advise the market about any material events and developments as soon as the Company becomes aware of them. The Company complies with these obligations on an ongoing basis.

### **Share trading by Directors and management**

The Board has adopted an Insider Trading Policy that ensures compliance with New Zealand's insider trading laws. The policy requires prior consent by the Chief Financial Officer to any trading by insiders, including all employees of NZ Windfarms. The Chief Financial Officer must obtain the written consent of the Chairman of the Board of Directors prior to any trading in securities by the Chief Financial Officer. On receipt of an application for consent from a Director, the Chief Financial Officer must obtain approval from two Directors (neither of whom is the Director applying) prior to any consent being granted. On receipt of an application for consent from the Chief Executive Officer, the Chief Financial Officer must obtain approval from the Chairman of the Board of Directors prior to any consent being granted.

### **Treasury Policy**

NZ Windfarms has a Treasury Policy to manage interest rate and foreign exchange risks. The policy approves the use of certain instruments for risk management purposes, and it prohibits any activity that is purely speculative in nature. It also sets out exposure limits, delegated authorities and internal controls.

### **Board composition and membership**

In accordance with the Company's Constitution, the Board will comprise not less than three Directors. At 30 June 2009 the Board comprised six Directors: an Independent non-executive Chairman, and five non-executive Directors, of which three are Independent Directors.

The Board has a broad base of knowledge and experience in energy, engineering, financial management, politics, legal compliance and other expertise to meet the Company's objectives.

Barrie Leay and Keith McConnell retired as Directors on 22 October 2008. Wyatt Creech was appointed as a Director by the Board on 1 May 2009. In accordance with the Company's Constitution, Wyatt Creech remains in office until the 2009 annual meeting of shareholders and is eligible for re-election at that meeting.

The details and background of the Directors are detailed above. All current Directors are ordinarily resident in New Zealand. The Chairman is elected by the Board of Directors and it is his role to manage the Board in the most effective manner and to provide a conduit between the Board and the Chief Executive Officer. He has no significant external commitments that conflict with this role. The Board holds an Interests Register and conflicts of interest are recorded if necessary in the minutes. Procedures for the operation of the Board, including the appointment and removal of Directors, are governed by the Company's Constitution.

#### **Operation of the Board**

The Board meets monthly on a formal scheduled basis. Key executives attend board meetings by invitation. Each month, the Chief Executive Officer prepares a report to the Board that includes a summary of the Company's activities, together with financial reports and wind farm construction and operational updates. In addition, the Board receives regular briefings on key strategic issues from management, both as part of the regular scheduled Board meetings and in separate strategic planning sessions.

Directors receive induction training primarily involving oral presentations from the Chief Executive Officer and all Directors have a Director's Folder containing all Board policies and procedures, Company Constitutions, Board timetable and committees' Terms of Reference.

#### **Chief Executive Officer**

The Board is responsible for the evaluation of the Chief Executive Officer against his key performance objectives and is responsible for the setting of these objectives on a periodic basis and ensuring that they are appropriate measurable targets.

The Chief Executive Officer provides financial and risk reports to the Audit and Risk Committee, which meets at least four times per annum.

#### **Independence of Directors**

To be independent a Director must, in the opinion of the Board, be removed from any relationship or business that could materially interfere or be reasonably perceived to materially interfere with the exercise of his or her independent judgment.

It has been determined by the Board that all Directors are independent except for Michael Stiassny and Simon Mackenzie, who is a Director and Chief Executive Officer respectively of Vector Limited, the Company's 19.99% cornerstone shareholder.

All Directors are required to immediately advise if any new relationships would interfere with such independence and so enable the Board to consider and determine the materiality of the relationship. These relationships are noted in the Interests Register which is updated at each monthly Board meeting.

#### **Rotation of Directors**

In accordance with the Company's Constitution and NZX Listing Rules, at each Annual Meeting of the Company one third (or the nearest number to one third) of the Directors must retire from office. A retiring Director is eligible for re-election.

As noted above, Wyatt Creech was appointed a Director by the Board effective from 1 May 2009. In accordance with the Company's Constitution, he remains in office until the 2009 annual meeting and being eligible offers himself for re-election.

At the 2009 Annual Meeting, Vicki Buck and Juliet McKee retire and offer themselves for re-election.

#### **Board committees**

The following standing committees have been established to assist in the execution of the Board's responsibilities. Each of these committees has a charter outlining its responsibilities and objectives.

##### **Audit and Risk Committee**

The Audit and Risk Committee at the end of the financial year comprised Juliet McKee (Chair), Michael Stiassny, Derek Walker and Wyatt Creech.

The Audit and Risk Committee is responsible for monitoring the ongoing effectiveness of risk management activities. The Committee monitors trends in the Company's risk profile and considers how the business manages or mitigates key risk exposures. It implements risk management through its business processes of planning, budgeting, investment and project analysis, and operations management.

The Committee also monitors and oversees the quality of financial reporting and financial management. In order to achieve this the Committee considers accounting and audit issues and makes recommendations to the Board of Directors as required and monitors the role, responsibility and performance of the external auditor. The function of the Audit and Risk Committee is to assist the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993 on matters relating to the Company's accounting practices, policies and controls relevant to the financial position, and to liaise with external auditors on behalf of the Board of Directors.

The Chief Executive Officer and Chief Financial Officer attend Committee meetings by invitation as does the external auditor when required.

# CORPORATE GOVERNANCE STATEMENT cont.

## Remuneration Committee

The Remuneration Committee at the end of the financial year comprised Vicki Buck (Chair), Simon Mackenzie and Derek Walker. The Remuneration Committee's primary purpose is to review Directors' fees, the Chief Executive Officer and Chief Financial Officer's remuneration packages and performance, and the policy for remuneration for senior management. These reviews form the basis of recommendations to the Board. Details of Directors' remunerations are set out under the section heading Directors Remuneration.

## Nominations Committee

The Nominations Committee at the end of the financial year comprised Derek Walker (Chair), Vicki Buck, Wyatt Creech, Simon Mackenzie, Juliet McKee and Michael Stiasny. The Nominations Committee's primary purpose is to ensure the Company has formal and transparent processes for the nomination and appointment of Directors and to identify skill gaps to ensure diversity and experience on the Board.

## Conflicts of interest

If conflicts of interest exist in any transaction, then a Director must declare their conflict of interest and not exercise their right to vote in respect of such matters. The Company maintains an Interests Register which is updated at each monthly Board meeting.

## Audit governance and independence

During the 2008 financial year the Board resolved to put the external audit to tender and following a tender process shareholders appointed Deloitte as external auditor for the year ending 30 June 2009.

The work of the external auditor is limited to audit and related work only and the Company is committed to auditor independence. The Board through the Audit and Risk Committee annually reviews the independence and objectivity of the external auditors. No employees, partners or Directors of the auditor's firm hold shares in the Company. In addition the lead audit partner must rotate after a maximum of seven years, and the external auditor must confirm annually its commitment to strict procedures to ensure independence.

Representatives of the Company's external auditors are invited to the Annual General Meeting.

## Reporting and disclosure

Annual and Interim Six Monthly Reports in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the NZX Listing Rules are communicated on a periodic basis to all shareholders. The Annual Report is audited.

A Company website is maintained and contains regular updates to shareholders. The Annual and Interim Reports are available on line at our website [www.nzwindfarms.co.nz](http://www.nzwindfarms.co.nz).

## Shareholder relations

The Board's policy is to ensure that shareholders are informed of all major and strategic developments affecting the Company's state of affairs. All major disclosures are posted on the Company's website on a timely basis. The Company releases all material information to the NZX under its continuous disclosure requirements.

## DIRECTORS' SHAREHOLDINGS AS AT 30 JUNE 2009

Directors' disclosure of their shareholdings pursuant to Section 148 of the Companies Act 1993 and the NZX Listing Rules at 30 June 2009 are listed below:

NAME OF RELATED PARTY	RELATIONSHIP	SHARES 30 JUNE 2008	MOVEMENT	SHARES 30 JUNE 2009	OPTIONS ISSUED, NOT EXERCISED
Derek Walker		-	-	-	100,000
Derek and Janice Walker	D Walker	20,000	-	20,000	-
Derek Walker and Christopher Patrick Boyle (Non beneficial)	D Walker	10,000	(10,000)*	-	-
Vicki Buck	Director	36,000	-	36,000	100,000
Juliet McKee	Director	-	-	-	100,000
Michael Stiasny	Director	-	-	-	-
Simon Mackenzie	Director	-	-	-	-
Wyatt Creech	Director	-	-	-	-

\* due to Derek Walker ceasing to be a trustee

## SHARE OPTION SCHEME

At the 28 May 2007 Special General Meeting shareholders agreed to a resolution to pass the NZ Windfarms Share Option Scheme for the Directors and Chief Executive Officer. The NZ Windfarms Share Option Scheme is intended to create an incentive for, and enable the Company to retain key persons by conferring on them the right to participate in the equity of the Company.

The NZ Windfarms Share Option Scheme provides for the issue of options in the Company, which when exercised will entitle the holder of the options issued one share in the Company per option. The maximum number of options available cannot be more than 2% of the issued shares of the Company from time to time. A copy of the registered prospectus in relation to the Share Option Scheme can be viewed on the Companies Office website. At the date of this Annual Report no options have been exercised.

The approved terms of the initial scheme was for the issue of options to all of the then current Directors named below:

Derek Walker – Chairman of the Board	100,000
Vicki Buck – Director	100,000
Juliet McKee – Director	100,000
Barry Leay – former Director	100,000
Keith McConnell – former Director	100,000

The Company issued 250,000 options to the former Chief Executive Officer, Chris Freear. The scheme also allows options to be issued to other employees in the future. No shareholder approval is required for these issues.

The price payable by the option holder on exercise of the options is \$1.10 per share, being the issue price of the shares in the June 2007 offer to the public if the options are issued within three months of allotment of the ordinary shares pursuant to that offer, or in any other case, the market price at the options date. The options can be exercised in the years from 1 July 2010 to 30 June 2012.

An employee will normally lose his or her right to exercise options if their employment is terminated due to serious misconduct. A Director will lose his or her rights if the Director ceases to be a Director because he or she is disqualified from holding the office of Director pursuant to the Companies Act. However, if an employee or Director ceases to be entitled to exercise options in the circumstances referred to above, the Board may exercise discretion to permit the options to continue. The options may only be exercised if the Company's share price at the time of exercise meets specified growth targets, and any other pre-conditions to the exercise of the options being satisfied. The growth targets include that the Company's share price increases by 10% per annum (on a compounding benchmark basis), but adjusted for the affects of rights issues, part years and dividends declared but unpaid.

The options will also be able to be exercised at any time if there is a change of control of NZ Windfarms. A change of control will occur if a person, or group of associated persons, acquires 50% or more of the shares carrying votes in NZ Windfarms.

# STATUTORY INFORMATION

## INTERESTS REGISTER

In accordance with the Companies Act 1993 the Company maintains an Interests Register in which the particulars of certain transactions and matters involving Directors are recorded. The following table summarises details of entries made in the Interests Register during the financial year:

DIRECTOR	COUNTERPARTY	NATURE OF INTEREST
Wyatt Creech	Open Country Dairy Limited	Director
	Kaimai Cheese Company Limited	Director (Chair)
	Seales Limited	Director
	RMA Advisory Committee	Director
	NZ Windfarms Limited	Director
	NZWL-TRH Limited	Director

## DIRECTORS REMUNERATION

Directors' fees currently total \$229,500 per annum. The Board Chairman receives \$60,000, the Deputy Chair \$37,500 and the remaining Directors \$30,000. The Chair of the Audit and Risk Committee receives an additional \$6,000 and the other members of the Audit and Risk Committee an additional \$3,000 per annum.

The following table summarises Directors' remuneration for the year to 30 June 2009:

NAME	DIRECTORS FEES	OTHER FEES
Vicki Buck	\$37,500	-
Wyatt Creech	\$5,500	-
Simon Mackenzie	\$30,000	-
Juliet McKee	\$36,000	-
Michael Stiassny	\$33,000	-
Derek Walker (Chair)	\$63,000	-
Barrie Leay	\$11,774	-
Keith McConnell	\$12,952	-

Simon Mackenzie's Directors fees are paid to Vector Limited. No other benefits were received by the Directors of the Company. Reimbursements of appropriate costs (mainly airfares and taxis to meetings) were made.

## DIRECTORS INDEMNITY AND INSURANCE

The Company has Directors' & Officers' Liability Insurance of \$10,000,000 in the aggregate. The Company also obtained Directors and Officers Insurance in relation to the May 2007 prospectus of \$20,000,000 for a period of three years from 9 May 2007.

## SUBSIDIARIES

The following persons held the office of Director of NZ Windfarms Limited subsidiaries at 30 June 2009. No Director of any subsidiary received any Director's fees or other benefits as a Director of the subsidiary Company.

NZWL-TRH Limited (100% owned):	Vicki Buck, Wyatt Creech, Simon Mackenzie, Juliet McKee, Michael Stiassny and Derek Walker (Chairman).
WindPower Maungatua Limited (50% owned):	Garry Forward (Chairman) and Chris Freear.

Garry Forward is Chief Financial Officer and Chris Freear General Manager (Development) of NZ Windfarms Limited.

## EMPLOYEE REMUNERATION

Details of the salary ranges for employees or former employees of the holding Company and subsidiaries receiving remuneration and benefits in excess of \$100,000 for the year ended 30 June 2009 were as follows:

REMUNERATION RANGE	NUMBER OF EMPLOYEES
\$210,000 - \$220,000	1
\$190,000 - \$200,000	1
\$160,000 - \$170,000	1

## DONATIONS

The Company made no donations during the year.

# SHAREHOLDER INFORMATION

The ordinary shares of NZ Windfarms Limited are listed on the New Zealand Stock Exchange's Market (NZX). The information in the disclosures below has been taken from the Company's register at 3 August 2009:

## TWENTY LARGEST ORDINARY SHAREHOLDERS

SHAREHOLDER	ADDRESS	SHARES	% ISSUED CAPITAL
New Zealand Central Securities Depository Limited	Wellington	20,332,845	25.88
Vector Limited	Auckland	15,704,000	19.99
Custodial Services Limited	Tauranga	5,770,085	7.35
Windflow Technology Limited	Christchurch	3,000,000	3.82
Rotorua Trust Perpetual Capital Fund Limited	Rotorua	2,000,000	2.55
Custodial Services Limited	Tauranga	1,633,275	2.08
Custodial Services Limited	Tauranga	721,850	0.92
Anthony Anselmi, Deidre Anselmi and Ross Alleman	Te Kuiti	700,000	0.89
Wolfgang Rehfus	Kilchberg zh, Switzerland	700,000	0.89
Hsu-Cheng Yang	Auckland	610,000	0.78
Custodial Services Limited	Tauranga	473,000	0.60
FNZ Custodians Limited	Wellington	270,144	0.34
Custodial Services Limited	Tauranga	261,000	0.33
ASB Nominees Limited	Auckland	250,000	0.32
Sky Hill Limited	Isle of Man, United Kingdom	250,000	0.32
Investment Custodial Services Limited	Takapuna	213,379	0.27
Cladworthy Nominees Limited	Auckland	200,000	0.25
ASB Nominees Limited	Auckland	192,464	0.24
Caroline Clair Stockdale	Nelson	172,200	0.22
Angus Napier and Emma Napier	Wellington	164,200	0.21
		<b>53,618,442</b>	<b>68.25</b>

## SHAREHOLDER INFORMATION cont.

### SPREAD OF SHAREHOLDERS

HOLDINGS RANGES	NUMBER OF HOLDERS	SHARES	% ISSUED CAPITAL
1 – 999	109	52,951	0.07
1,000 – 4,999	917	2,388,911	3.04
5,000 – 9,999	676	3,989,740	5.08
10,000 – 49,999	787	13,259,315	16.88
50,000 – 99,999	48	3,196,104	4.07
100,000 – 499,999	27	4,500,121	5.73
500,000 – 999,999	4	2,731,850	3.47
1,000,000 and over	6	48,440,205	61.66
<b>TOTALS</b>	<b>2,574</b>	<b>78,559,197</b>	<b>100.00</b>

### SUBSTANTIAL SECURITY HOLDERS

This information is given in accordance with Section 26 of the Securities Markets Act 1988. According to notices received, the substantial security holders in the Company at 30 June 2009 were as below:

SHAREHOLDER	NUMBER OF SHARES DIRECTLY HELD	%
Vector Limited	15,704,000	19.99
AMP Capital Investors (New Zealand) Limited	9,321,512	11.87
Tyndall Investment Management NZ Limited	6,446,841	8.21

The total number of issued voting securities as at 30 June 2009 was 78,559,197.

### DIRECTORS STATEMENT

The Annual Report is dated 27 August 2009 and is signed on behalf of the Board by:



DEREK WALKER  
Chairman



JULIET MCKEE  
Director /Chair of Audit and Risk Committee

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# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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# INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	GROUP		COMPANY	
		30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
<b>Income</b>					
Electricity sales		812	162	-	-
Gain on sale of investment		79	-	79	-
Other income – management fees		100	78	517	499
<b>Total income (excluding interest revenue)</b>		<b>991</b>	<b>240</b>	<b>596</b>	<b>499</b>
Administration expenses		631	291	376	244
Audit fees		34	28	25	22
Directors fees	16	230	242	230	242
Employment expenses		992	641	1,406	1,018
Insurance costs		180	38	23	10
Lease and rental expenses	20	527	104	34	71
Legal and consulting expenses		983	252	914	224
Te Rere Hau wind farm operational expenses		185	73	-	-
(Gain) on sale of assets held for resale		-	(3)	-	(3)
Impairment of property for resale	3	245	90	245	90
Impairment of advance to subsidiary entity		-	-	364	-
Impairment of intangible assets	6	693	-	-	-
Other operating expenses		518	445	343	425
<b>Operating expenses (excluding depreciation and amortisation)</b>		<b>5,218</b>	<b>2,201</b>	<b>3,960</b>	<b>2,343</b>
<b>Earnings before interest, depreciation, amortisation, discount on acquisition, minority interest and tax</b>		<b>(4,227)</b>	<b>(1,961)</b>	<b>(3,364)</b>	<b>(1,844)</b>
Amortisation	6	(57)	(9)	-	-
Depreciation	5	(1,044)	(149)	(35)	(24)
<b>Earnings before interest, discount on acquisition, minority interest and tax</b>		<b>(5,328)</b>	<b>(2,119)</b>	<b>(3,399)</b>	<b>(1,868)</b>
Interest income		2,938	5,798	2,831	5,794
Interest expense		(275)	(25)	-	(23)
<b>Earnings before discount on acquisition, minority interest and tax</b>		<b>(2,665)</b>	<b>3,654</b>	<b>(568)</b>	<b>3,903</b>
Discount on acquisition of investment	1	3,209	-	-	-
<b>Net profit/(loss) before taxation and minority interest</b>		<b>544</b>	<b>3,654</b>	<b>(568)</b>	<b>3,903</b>
Income tax (income)/expense	2	(407)	1,238	(43)	1,312
<b>Net profit/(loss) before minority interest</b>		<b>951</b>	<b>2,416</b>	<b>(525)</b>	<b>2,591</b>
Minority interest		(10)	(2)	-	-
<b>Net profit/(loss) attributable to equity holders of the company</b>	11	<b>961</b>	<b>2,418</b>	<b>(525)</b>	<b>2,591</b>
Earnings per share – basic and diluted	12	\$0.01	\$0.03	(\$0.01)	\$0.03

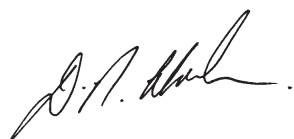
These financial statements should be read in conjunction with the notes to the financial statements on pages 20 to 39.

# BALANCE SHEETS

AS AT 30 JUNE 2009

	NOTES	GROUP		COMPANY	
		30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	14	10,476	58,527	10,258	58,463
Restricted short term deposit	17	4,637	4,637	4,637	4,637
Trade and other receivables	4	673	2,545	174	1,990
Assets held for resale	3	800	495	800	495
Income tax receivable		42	-	-	-
<b>Total current assets</b>		<b>16,628</b>	<b>66,204</b>	<b>15,869</b>	<b>65,585</b>
<b>Non-current assets</b>					
Property, plant and equipment	5	52,176	4,132	189	173
Turbine deposits		15,504	8,114	-	-
Intangible assets	6	5,943	1,305	-	-
Capital work in progress		3,854	4,283	-	-
Advance to subsidiary entities	16	-	-	68,072	22,841
Investments	7	-	8	-	8
Investments in subsidiaries	8	-	-	99	99
Deferred tax	9	308	-	160	69
<b>Total non-current assets</b>		<b>77,785</b>	<b>17,842</b>	<b>68,520</b>	<b>23,190</b>
<b>Total assets</b>		<b>94,413</b>	<b>84,046</b>	<b>84,389</b>	<b>88,775</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	10	7,773	3,832	3,111	6,845
Income tax payable		-	36	56	183
Current portion of finance lease	19	104	-	-	-
<b>Total current liabilities</b>		<b>7,877</b>	<b>3,868</b>	<b>3,167</b>	<b>7,028</b>
<b>Non-current liabilities</b>					
Finance lease	19	5,444	-	-	-
Deferred tax	9	-	37	-	-
<b>Total non-current liabilities</b>		<b>5,444</b>	<b>37</b>	<b>-</b>	<b>-</b>
<b>Equity</b>					
Share capital	11	77,878	77,878	77,878	77,878
Retained earnings	11	3,214	2,253	3,344	3,869
Equity attributable to equity holders of the company		81,092	80,131	81,222	81,747
Minority interest		-	10	-	-
<b>Total equity</b>		<b>81,092</b>	<b>80,141</b>	<b>81,222</b>	<b>81,747</b>
<b>Total equity and liabilities</b>		<b>94,413</b>	<b>84,046</b>	<b>84,389</b>	<b>88,775</b>
Net tangible assets per security		\$1.03	\$1.02	\$1.03	\$1.04

Signed for and on behalf of the Board as at 27 August 2009



Director



Director

These financial statements should be read in conjunction with the notes to the financial statements on pages 20 to 39.

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	GROUP		COMPANY	
		30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
<b>Equity at beginning of year</b>		<b>80,141</b>	<b>77,701</b>	<b>81,747</b>	<b>79,144</b>
Net profit/(loss) attributable to equity holders of the company		961	2,418	(525)	2,591
		81,102	80,119	81,222	81,735
Cost of shares issued		-	(6)	-	(6)
Share based payment expense		-	18	-	18
Minority interest arising on business combinations		(10)	10	-	-
Dividends		-	-	-	-
<b>Equity at end of year</b>		<b>81,092</b>	<b>80,141</b>	<b>81,222</b>	<b>81,747</b>
Represented by:					
Share capital	11	77,878	77,878	77,878	77,878
Minority interest		-	10	-	-
Retained earnings	11	3,214	2,253	3,344	3,869
<b>Total equity</b>		<b>81,092</b>	<b>80,141</b>	<b>81,222</b>	<b>81,747</b>

# CASHFLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	GROUP		COMPANY	
		30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
<b>Operating activities</b>					
Cash was received from:					
Trading revenue		793	115	-	499
Sundry income		427	78	533	-
Interest received		4,750	4,283	4,642	4,280
		<b>5,970</b>	<b>4,476</b>	<b>5,175</b>	<b>4,779</b>
Cash was applied to:					
Interest paid		275	25	-	23
Tax paid/(received)		17	1,171	(8)	1,171
Payments to suppliers and employees		3,939	1,811	2,882	1,995
		<b>4,231</b>	<b>3,007</b>	<b>2,874</b>	<b>3,189</b>
<b>Net cash inflow from operating activities</b>	<b>13</b>	<b>1,739</b>	<b>1,469</b>	<b>2,301</b>	<b>1,590</b>
<b>Investing activities</b>					
Cash was provided from:					
Sale of property, plant and equipment		7	-	4	-
Sale of assets held for resale		-	374	-	374
Sale of investment		-	-	180	-
Sale of intangible assets		180	-	-	-
		<b>187</b>	<b>374</b>	<b>184</b>	<b>374</b>
Cash was applied to:					
Ringfenced deposit as security for performance bond		-	4,637	-	4,637
Purchase of intangible assets		2,382	285	-	-
Purchase of property, plant and equipment, turbine deposits and capital work in progress		29,864	9,187	115	792
Purchase of investment		50	102	50	102
Purchase of remaining interest in Te Rere Hau wind farm	1	17,079	-	18,575	-
Purchase of assets held for resale		550	640	550	-
		<b>49,925</b>	<b>14,851</b>	<b>19,290</b>	<b>5,531</b>
<b>Net cash (outflow) from investing activities</b>		<b>(49,738)</b>	<b>(14,477)</b>	<b>(19,106)</b>	<b>(5,157)</b>
<b>Financing activities</b>					
Cash was applied to:					
Issue costs of equity		-	140	-	140
Advance to subsidiary		-	-	31,400	9,231
Finance lease		52	-	-	-
		<b>52</b>	<b>140</b>	<b>31,400</b>	<b>9,371</b>
<b>Net cash (outflow) from financing activities</b>		<b>(52)</b>	<b>(140)</b>	<b>(31,400)</b>	<b>(9,371)</b>
Net (decrease) in cash and cash equivalents		(48,051)	(13,148)	(48,205)	(12,938)
Cash and cash equivalents, beginning of year		58,527	71,675	58,463	71,401
<b>Cash and cash equivalents, end of year</b>		<b>10,476</b>	<b>58,527</b>	<b>10,258</b>	<b>58,463</b>
<b>Cash and cash equivalents</b>					
Term deposits	14	8,175	52,075	8,175	52,075
Bank account and on call deposits	14	2,301	6,452	2,083	6,388
<b>Cash and cash equivalents, end of year</b>		<b>10,476</b>	<b>58,527</b>	<b>10,258</b>	<b>58,463</b>

These financial statements should be read in conjunction with the notes to the financial statements on pages 20 to 39.

# STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2009

## REPORTING ENTITY AND STATUTORY BASE

NZ Windfarms is a profit oriented 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.

NZ Windfarms Limited (the Company) is a company registered under the Companies Act 1993 of New Zealand and listed on the New Zealand Stock Exchange (NZSX).

Financial statements for the Company and consolidated financial statements (Group) are presented. The consolidated financial statements of NZ Windfarms Limited as at 30 June 2009 comprise the Company, its 100% owned subsidiary NZWL-TRH Limited and the Company's 50% owned subsidiary, WindPower Maungatua Limited.

## BASIS OF PREPARATION

The Company is an issuer for the purposes of the Financial Reporting Act 1993 and the financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements of the Company have been prepared in accordance with the Securities Act 1978, Securities Regulation 1983, the Financial Reporting Act 1993 and Companies Act 1993 and prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as developed and published by the New Zealand Accounting Standards Board and adopted as NZ GAAP. The Group and Parent financial statements comply with international financial reporting standards (IFRS) and have been prepared on a going concern basis.

The financial statements are expressed in New Zealand dollars which is the Company's functional currency.

## MEASUREMENT BASE

The measurement base adopted in the preparation of these financial statements is historical cost modified by measuring assets held for resale at fair value less costs to sell.

## CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying value of assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable in the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following accounting policies and notes:

- Carrying value of assets held for resale – accounting policy and note 3
- Carrying value and useful life of property, plant and equipment – accounting policy and note 5
- Carrying value of intangible assets – accounting policy and note 6

## ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by all NZ Windfarms companies.

### Basis of consolidation

Subsidiaries are those entities controlled directly by the NZ Windfarms Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group financial statements are prepared from the financial statements of the Company and its subsidiaries using the purchase method of consolidation. All significant inter-company transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated on consolidation.

Investments in subsidiaries are recorded at cost in the parent's financial statements.

The minority shareholders' interests in subsidiary companies has been recorded separately in the Income Statement and Balance Sheet.

### Revenue recognition

NZ Windfarms recognises revenue on services it provides and on delivery of electricity to customers.

### Interest

Interest income and expenses are recognised on an accruals basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cashflows through the expected life of the financial asset or liability to the net carrying amount of the financial instrument. Where interest cost has been directly incurred in the construction of an asset the cost has been capitalised to the cost of construction of the asset.

### Taxation

The taxation expense charged to earnings includes both current and deferred tax and is calculated after allowing for permanent differences.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

Tax losses are recognised when utilisation of the losses are reasonably certain.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Future tax benefits are recognised where realisation of the asset is probable.

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

### Assets held for resale

An asset is recognised as being held for resale if it is available for sale in its present condition and a sale is anticipated within the next 12 month period. Assets held for resale are measured at the lower of the asset's carrying value and fair value less costs to sell at balance date.

### Trade and other receivables

Trade receivables are recorded initially at fair value plus transaction costs. Subsequent to initial recognition trade receivables are measured at amortised costs less any provision for bad or doubtful accounts. Trade receivables are subject to credit risk exposure.

### Property, plant and equipment

Property, plant and equipment is stated at cost, and other than land, is depreciated in equal instalments over their estimated economic lives. For constructed assets, depreciation commences when construction is completed and where appropriate, the asset has been commissioned.

The economic lives have been estimated as follows:

Roading	50 years
Foundations	50 years
Electrical	20 to 50 years
Buildings	40 years
Turbines	20 years
Office equipment	5 years
Plant and equipment	5 years
Motor vehicles	4 years

All assets are included at acquisition cost less subsequent accumulated depreciation and accumulated impairment losses.

### Turbine deposits

Turbine deposit payments represent deposits paid on turbines not commissioned.

### Capital work in progress

Capital work in progress includes the cost of turbine components where title has been transferred to the Group (and formerly the Joint Venture) and work in progress on wind farm infrastructure assets. When turbines are commissioned they are transferred from capital work in progress to property, plant and equipment.

### Intangible assets

Intangible assets are recognised if it is probable that expected future economic benefits relating to the intangible assets will accrue to the Company and the cost is able to be reliably measured.

The Group capitalises the direct costs associated with obtaining land use resource consents to build wind farms. Capitalised costs include external direct costs of services consumed, including expert advice directly associated with the land use consents, payroll and direct payroll-related costs for employees (including contractors) directly associated with the project. Resource consents are initially recorded at cost and amortised over their useful lives from the time the wind farm commences commercial operations.

Intangible assets are amortised on a straight line basis over their estimated useful lives. Where estimated useful lives or recoverable

values have diminished due to market conditions, amortisation is accelerated or the carrying value impaired.

Emission reduction units will be recognised as an asset at fair value at the time the Crown issues the units.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair value of assets given and liabilities incurred or assumed in exchange for control of the acquiree, plus any costs attributable to the business combination. Assets and liabilities acquired are recorded at their fair value on acquisition.

### Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets acquired at the time of acquisition of a business or shares in a subsidiary. Goodwill is assessed annually for impairment and to the extent that it is no longer probable it will be recovered from future economic benefits of an investment, it is recognised immediately as an expense.

### Te Rere Hau Joint Venture

The Te Rere Hau Unincorporated Joint Venture, of which the Company held a joint 50% undivided interest until 5 December 2008, was established by contractual agreement and required unanimous consent for strategic, financial and operating decisions. The Company's interest in the Te Rere Hau Joint Venture was held by its 100% owned subsidiary, NZWL-TRH Limited. Following the acquisition of the remaining 50% undivided share on 5 December 2008 the Joint Venture was disbanded and NZWL-TRH Limited now owns and accounts for 100% of the assets and liabilities.

In the Group financial statements the interest in the Joint Venture has been accounted for using the proportionate consolidation method. The Group Balance Sheet at 30 June 2008 includes the assets and liabilities of 50% of the Te Rere Hau Joint Venture on a line by line basis. The current year's Group Income Statement includes the income and expenses of 50% of the Te Rere Hau Joint Venture on a line by line basis from 1 July 2008 to 4 December 2008 and from 5 December 2008 100% of the income and expenses (2008 – 50% on a line by line basis).

The discount on acquisition of the remaining 50% undivided interest in the Joint Venture has been taken to the Group Income Statement.

### Financial assets and liabilities

The Company's financial assets include cash, trade and other receivables, advances to subsidiary entities and equity investments. These financial assets are recognised at their nominal value which is deemed to be equal to fair value. Financial assets are classified as either 'loans and receivables' or 'available for sale' financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured initially at fair value plus transaction costs and

## STATEMENT OF ACCOUNTING POLICIES cont.

subsequently at amortised cost using the effective interest method. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost and are classified as available for sale.

The Company's financial liabilities include overdrafts, trade and other payables. These financial liabilities are measured initially at fair value, net of transaction costs, and subsequently at amortised cost using the effective interest method.

### Employee benefits

Provision is made for benefits accruing to employees in respect of wages, salaries, annual leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

All provisions made in respect of employee benefits are expected to be settled within 12 months and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

### Leases

The Group leases certain plant and equipment and land and buildings.

Finance leases, which effectively transfer to the Group substantially all of the risks and benefits of ownership of the leased item, are capitalised at the lower of the fair value of the assets or present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised and the leased assets are depreciated over the period the Group is expected to benefit from their use. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Income Statement.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of net profit in equal instalments over the period of the lease. Lease incentives received are recognised as an integral part of the total lease payments made and also spread on a basis representative of the pattern of benefits expected to be derived from the leased asset.

### Impairment of assets

At each balance sheet date, management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cashflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

### Statement of cashflows

For the purpose of the cashflow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments. The following terms are used in the statement of cashflows:

**Operating activities** are the principle revenue generating activities of the Group and other activities that are not investing or financing activities.

**Investing activities** are the acquisition and disposal of long term assets and other investments not included in cash and cash equivalents.

**Financing activities** are the activities that result on changes in the size and composition of the contributed equity and borrowings.

### Contingent assets and liabilities

Inflows of economic benefits should result from the realisation of carbon credits. The carbon credits and other probable inflows of economic benefits that do not meet the recognition criteria of an asset are considered contingent assets until earned.

In cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the Balance Sheet.

### Goods and Services Tax (GST)

The financial statements have been prepared on a GST exclusive basis, with the exception of trade receivables and payables, which include invoiced GST.

### Comparatives

The classification and presentation of items in the financial statements is consistent in the current and comparative periods, except as noted below:

Other operating expenses have been disaggregated into administration expenses, insurance costs, Te Rere Hau wind farm operational expenses and other operating expenses.

Property, plant and equipment has been reclassified as turbine deposits and intangible assets to correctly reflect their classification as at 30 June 2008.

### Changes in accounting policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those used in previous years.

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### **New IFRS accounting standards not adopted**

The Group and Parent have adopted all new standards as issued by the Financial Reporting Standards Board except for those listed in the table below. Initial application of the following standards will not affect any of the amounts recognised in the financial statement, but may change the disclosures presently made in relation to the Group and Parent's financial statements.

<b>STANDARD</b>	<b>EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER</b>	<b>EXPECTED TO BE INITIALLY APPLIED IN THE YEAR ENDING</b>
NZ IFRS 3 Business Combinations	1 July 2009	30 June 2010
NZIFRS 7 Financial Instruments: Disclosure (revised standard)	1 January 2009	30 June 2010
NZIFRS 8 Operating Segments	1 January 2009	30 June 2010
NZIAS 1 Presentation of Financial Statements (revised standard)	1 January 2009	30 June 2010
NZ IAS 23 Borrowing Costs (revised standard)	1 January 2009	30 June 2010
NZ IAS 27 Consolidated and Separate Financial Statements (revised standard)	1 July 2009	30 June 2010

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### 1. ACQUISITION OF REMAINING 50% INTEREST IN THE TE RERE HAU WIND FARM JOINT VENTURE

The Te Rere Hau Joint Venture Agreement was entered into on 6 October 2006 and the Te Rere Hau Joint Venture became operational on 29 December 2006.

Effective 5 December 2008 the Group acquired the remaining 50% undivided share in the Joint Venture for \$20,675,000. \$18,575,000 was paid on 17 March 2009 with the balance of \$2,100,000 due on 17 September 2009.

The acquisition resulted in a discount on acquisition of \$3,209,000. The discount on acquisition has been taken to profit and shown in the Group Income Statement.

Details of the purchase of the remaining interest in Te Rere Hau wind farm follow:

PRINCIPAL ACTIVITY	DATE OF ACQUISITION	PROPORTION OF INTEREST ACQUIRED	COST OF ACQUISITION \$000's
Wind farm	5 December 2008	50%	20,675
	BOOK VALUE \$000's	FAIR VALUE ADJUSTMENT \$000's	FAIR VALUE ON ACQUISITION \$000's
<b>Assets acquired:</b>			
Current assets	1,652	-	1,652
Tangible long term assets	24,902	-	24,902
Intangible assets	2,205	1,367	838
Current liabilities	(643)	-	(643)
Long term liabilities	(2,865)	-	(2,865)
	<b>25,251</b>	<b>1,367</b>	<b>23,884</b>
<b>Represented by:</b>			
Cash payments			18,575
Other payables (Note 10)			2,100
Discount on acquisition			3,209
			<b>23,884</b>

Included in current assets acquired above was \$1,496,000 of cash and cash equivalents. Therefore, on consolidation the net cash payments made to acquire the remaining interest in the Te Rere Hau wind farm was \$17,079,000.

## 2. INCOME TAX EXPENSE

FOR THE YEAR TO	NOTE	GROUP		COMPANY	
		30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Net profit/(loss) for the year before taxation and minority interest		544	3,654	(568)	3,903
Expected tax expense at 30% (2008–33%)		163	1,206	(170)	1,288
Adjustment recognised in the current year in relation to the current tax of prior years		(44)	–	(41)	–
Deferred tax expense arising on acquisition of remaining share of Joint Venture		172	–	–	–
<b>Adjustment for non deductible expenses and non-assessible income</b>					
Capital profit on sale of investment		(24)	–	(24)	–
Impairment of intangible assets		205	–	–	–
Discount on acquisition of investment		(963)	–	–	–
Other non deductible expenses		84	36	192	17
		(407)	1,242	(43)	1,305
Effect of change in tax rate		–	(4)	–	7
<b>Total tax expense/(income)</b>		<b>(407)</b>	<b>1,238</b>	<b>(43)</b>	<b>1,312</b>
<b>Represented by:</b>					
Current		(1,387)	1,238	48	1,380
Deferred	9	980	–	(91)	(68)
<b>Income tax expense/(income)</b>		<b>(407)</b>	<b>1,238</b>	<b>(43)</b>	<b>1,312</b>
Tax loss from previous years		–	–	–	–
Tax loss for year		4,417	–	–	–
<b>Tax loss carried forward</b>		<b>4,417</b>	<b>–</b>	<b>–</b>	<b>–</b>

The deferred tax rate change in 2008 is to reflect the change in corporate tax rate from 33c to 30c effective from 1 July 2008.

## 3. ASSETS HELD FOR RESALE

The Company has entered into put option deeds with three owners of land directly adjoining the Te Rere Hau wind farm. The put options allowed the land owners a period of time during which they had the option of selling their property at market value to NZ Windfarms Limited. Three land owners exercised their option to sell their properties to the Company. This land is surplus to the wind farm or Company's requirements.

One of the properties was sold during the 2008 financial year at a profit of \$3,000, net of the 2007 impairment. The second property was sold in August 2009. It is expected to sell the remaining property within the next 12 months. The fair value of the remaining properties at 30 June 2009 has been reassessed by Directors and impaired by \$245,000 to a carrying value of \$800,000 (2008 – \$495,000).

## 4. TRADE AND OTHER RECEIVABLES

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Trade debtors	263	377	45	60
Other debtors	–	6	–	–
Interest receivable	54	1,866	54	1,866
Prepayments	74	18	42	15
Goods and services tax	282	278	33	49
<b>Closing balance</b>	<b>673</b>	<b>2,545</b>	<b>174</b>	<b>1,990</b>

No allowance has been made for doubtful debtors (2008: nil) and no receivables are past due at balance date (2008: nil).

## NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2009

### 5. PROPERTY, PLANT AND EQUIPMENT

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

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
<b>Office equipment</b>				
Opening carrying amount	102	31	102	31
Additions	56	-	26	89
Purchase of remaining interest in Te Rere Hau wind farm	7	89	-	-
	165	120	128	120
Depreciation	(34)	(18)	(28)	(18)
<b>Closing carrying amount</b>	<b>131</b>	<b>102</b>	<b>100</b>	<b>102</b>
<b>Building, plant and equipment</b>				
Opening carrying amount	199	14	62	14
Disposals	(145)	-	(55)	-
Additions	472	192	79	53
Purchase of remaining interest in Te Rere Hau wind farm	189	-	-	-
	715	206	86	67
Depreciation	(35)	(7)	(4)	(5)
<b>Closing carrying amount</b>	<b>680</b>	<b>199</b>	<b>82</b>	<b>62</b>
<b>Motor vehicles</b>				
Opening carrying amount	16	-	9	-
Disposals	(8)	-	-	-
Additions	-	18	-	10
	8	18	9	10
Depreciation	(3)	(2)	(2)	(1)
<b>Closing carrying amount</b>	<b>5</b>	<b>16</b>	<b>7</b>	<b>9</b>
<b>Foundations</b>				
Opening carrying amount	837	304	-	-
Additions	1,191	537	-	-
Purchase of remaining interest in Te Rere Hau wind farm	1,042	-	-	-
	3,070	841	-	-
Depreciation	(17)	(4)	-	-
<b>Closing carrying amount</b>	<b>3,053</b>	<b>837</b>	<b>-</b>	<b>-</b>
<b>Electrical</b>				
Opening carrying amount	317	252	-	-
Disposals	(4)	-	-	-
Additions	2,907	70	-	-
Purchase of remaining interest in Te Rere Hau wind farm	3,219	-	-	-
	6,439	322	-	-
Depreciation	(209)	(5)	-	-
<b>Closing carrying amount</b>	<b>6,230</b>	<b>317</b>	<b>-</b>	<b>-</b>

## 5. PROPERTY, PLANT AND EQUIPMENT CONTINUED

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
<b>Roading</b>				
Opening carrying amount	1,327	761	-	-
Additions	167	586	-	-
Purchase of remaining interest in Te Rere Hau wind farm	1,423	-	-	-
	<b>2,917</b>	<b>1,347</b>	-	-
Depreciation	(47)	(20)	-	-
<b>Closing carrying amount</b>	<b>2,870</b>	<b>1,327</b>	-	-
<b>Wind turbines</b>				
Opening carrying amount	1,334	1,433	-	-
Additions	14,478	-	-	-
Transfer to intangible assets	-	(6)	-	-
Transfer from capital work in progress	4,283	-	-	-
Transfer from turbine deposits	10,452	-	-	-
Purchase of remaining interest in Te Rere Hau wind farm	9,358	-	-	-
	<b>39,904</b>	<b>1,427</b>	-	-
Depreciation	(697)	(93)	-	-
<b>Closing carrying amount</b>	<b>39,207</b>	<b>1,334</b>	-	-
<b>Total property, plant and equipment</b>				
Opening carrying amount	4,132	2,795	173	45
Disposals	(157)	-	(55)	-
Additions	19,272	1,403	106	152
Transfer to intangible assets	-	(6)	-	-
Transfer from capital work in progress	4,283	-	-	-
Transfer from turbine deposits	10,452	-	-	-
Purchase of remaining interest in Te Rere Hau wind farm	15,238	89	-	-
	<b>53,220</b>	<b>4,281</b>	<b>224</b>	<b>197</b>
Depreciation	(1,044)	(149)	(35)	(24)
<b>Closing carrying amount</b>	<b>52,176</b>	<b>4,132</b>	<b>189</b>	<b>173</b>

## NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2009

### 5. PROPERTY, PLANT AND EQUIPMENT CONTINUED

REPRESENTED BY: AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
<b>Office equipment</b>				
Gross carrying amount	184	125	153	126
Accumulated depreciation	(53)	(23)	(53)	(24)
<b>Closing carrying amount</b>	<b>131</b>	<b>102</b>	<b>100</b>	<b>102</b>
<b>Plant and equipment</b>				
Gross carrying amount	718	209	91	70
Accumulated depreciation	(38)	(10)	(9)	(8)
<b>Closing carrying amount</b>	<b>680</b>	<b>199</b>	<b>82</b>	<b>62</b>
<b>Motor vehicles</b>				
Gross carrying amount	8	18	10	10
Accumulated depreciation	(3)	(2)	(3)	(1)
<b>Closing carrying amount</b>	<b>5</b>	<b>16</b>	<b>7</b>	<b>9</b>
<b>Foundations</b>				
Gross carrying amount	3,084	843	-	-
Accumulated depreciation	(31)	(6)	-	-
<b>Closing carrying amount</b>	<b>3,053</b>	<b>837</b>	<b>-</b>	<b>-</b>
<b>Electrical</b>				
Gross carrying amount	6,492	326	-	-
Accumulated depreciation	(262)	(9)	-	-
<b>Closing carrying amount</b>	<b>6,230</b>	<b>317</b>	<b>-</b>	<b>-</b>
<b>Roading</b>				
Gross carrying amount	2,982	1,353	-	-
Accumulated depreciation	(112)	(26)	-	-
<b>Closing carrying amount</b>	<b>2,870</b>	<b>1,327</b>	<b>-</b>	<b>-</b>
<b>Wind turbines</b>				
Gross carrying amount	39,995	1,427	-	-
Accumulated depreciation	(788)	(93)	-	-
<b>Closing carrying amount</b>	<b>39,207</b>	<b>1,334</b>	<b>-</b>	<b>-</b>
<b>Total property, plant and equipment</b>				
Gross carrying amount	53,463	4,301	254	206
Accumulated depreciation	(1,287)	(169)	(65)	(33)
<b>Closing carrying amount</b>	<b>52,176</b>	<b>4,132</b>	<b>189</b>	<b>173</b>

Included in electrical are assets under finance lease of \$5,530,000 (2008 - Nil).

## 6. INTANGIBLE ASSETS

The cost to purchase the wind rights for the Te Rere Hau wind farm are incorporated into a land rental agreement, which is for 70 years. The asset was being amortised over the 70 years and the initial 50% interest in the wind rights was recognised as an Intangible Asset at 30 June 2008. During the year the Company acquired the remaining 50% of the wind rights. The Directors assessed the value of the wind rights at the time of the acquisition and fully impaired the carrying value.

Costs directly associated with obtaining land use consents for wind farms are recognised as intangible assets.

The costs to acquire the connection rights of the Te Rere Hau transmission asset to the National Grid has been included as an intangible asset and amortised over the useful life of the asset.

The WindPower Maungatua land use consent and Wind Rights Option Agreement have been written off during the financial year following a decision not to proceed with the resource consent application. The WindPower Maungatua wind rights land option agreement expires on 31 December 2011.

Intangible assets are carried at cost less annual amortisation over the estimated useful lives of the assets.

The following amortisation periods and methods for intangible assets are disclosed below:

	AMORTISATION METHOD	USEFUL LIFE
Te Rere Hau Wind Farm Connection Agreement	Straight line	20 years
Land Use Consent – Te Rere Hau	Straight line	70 years

Changes in the net carrying amount of intangible assets follow:

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
<b>Wind rights</b>				
Opening carrying amount	378	292	-	-
Acquisition by investment in subsidiary company	-	90	-	-
Impairment	(376)	-	-	-
Amortisation	(2)	(4)	-	-
<b>Closing carrying amount</b>	<b>-</b>	<b>378</b>	<b>-</b>	<b>-</b>
<b>Land use consent</b>				
Opening carrying amount	301	123	-	-
Acquisition by investment in subsidiary company	-	90	-	-
Purchase of remaining interest in Te Rere Hau wind farm	182	-	-	-
Additions	309	87	-	-
Transfer from property, plant and equipment	-	6	-	-
Impairment	(317)	-	-	-
Amortisation	-	(5)	-	-
<b>Closing carrying amount</b>	<b>475</b>	<b>301</b>	<b>-</b>	<b>-</b>
<b>Grid connection</b>				
Opening carrying amount	626	626	-	-
Purchase of remaining interest in Te Rere Hau wind farm	2,762	-	-	-
Additions	2,135	-	-	-
Amortisation	(55)	-	-	-
<b>Closing carrying amount</b>	<b>5,468</b>	<b>626</b>	<b>-</b>	<b>-</b>
<b>Total closing carrying amount</b>	<b>5,943</b>	<b>1,305</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2009

### 6. INTANGIBLE ASSETS CONTINUED

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
<b>Amortisation expense for the year</b>				
Wind rights	2	4	-	-
Land use consent	-	5	-	-
Grid connection	55	-	-	-
	<b>57</b>	<b>9</b>	<b>-</b>	<b>-</b>

### 7. INVESTMENTS

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Other	-	8	-	8
<b>Total investments</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>8</b>

The Directors consider that the fair value of the investments approximates the carrying value.

### 8. INVESTMENTS IN SUBSIDIARIES

AS AT	PERCENT HELD		BALANCE DATE	INCORPORATED
	30 JUNE 2009	30 JUNE 2008		
NZWL -TRH Limited	100%	100%	30 June	New Zealand
WindPower Maungatua Limited	50%	50%	30 June	New Zealand

NZWL-TRH Limited is a 100% direct subsidiary of the Company. NZWL-TRH Limited holds the Company's interest in the Te Rere Hau wind farm, and formerly the 50% interest in the Te Rere Hau Joint Venture.

WindPower Maungatua Limited is a 50% direct subsidiary of the Company. The Company holds Board control of WindPower Maungatua Limited. The minority shareholders' interest of the Group's Net Result is included as an adjustment in the Income Statement and their share of Group Equity is reflected in the Balance Sheet.

## 9. DEFERRED TAX

The movement in deferred tax assets and liabilities during the year follows:

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Opening balance	(37)	(37)	69	1
<b>Temporary differences tax effect:</b>				
Prior year over/(under) provision	(33)	-	5	-
Deferred tax arising on purchase of remaining interest in Te Rere Hau wind farm	(172)	-	-	-
Accounting depreciation	330	49	10	8
Tax depreciation	(1,200)	(138)	(13)	(13)
Accounting loss/(profit) on fixed assets disposals	6	(1)	5	(1)
Tax (loss)/profit on fixed assets disposals	(5)	1	(4)	1
Impairment of property held for resale	74	30	74	30
Provisions	30	30	24	26
Accrued employee benefits	(10)	25	(10)	25
	(980)	(4)	91	75
Unused tax losses	1,325	-	-	-
	308	(41)	160	76
Effect of change in income tax rate from 33% to 30%	-	4	-	(7)
<b>Closing balance</b>	<b>308</b>	<b>(37)</b>	<b>160</b>	<b>69</b>

### Represented by:

Accounting fixed assets carrying amount	(73,065)	(7,497)	(189)	(173)
Taxation fixed assets carrying amount	69,087	7,134	163	153
Impairment of property held for resale	522	82	335	90
Provisions	-	83	157	78
Accrued employee benefits	67	75	67	83
Unused tax losses	4,417	-	-	-
	1,028	(123)	533	231
<b>Tax effect at 30%</b>	<b>308</b>	<b>(37)</b>	<b>160</b>	<b>69</b>

No movements in deferred tax have been recognised directly in equity.

## 10. TRADE AND OTHER PAYABLES

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Trade payables	1,479	3,278	341	158
Other payable – purchase of remaining interest in Te Rere Hau wind farm	2,100	-	2,100	-
Retentions	3,258	99	-	-
Amount owing to joint venture	-	-	-	6,300
Accrued expenses	776	361	510	293
Employee entitlements	160	94	160	94
<b>Closing balance</b>	<b>7,773</b>	<b>3,832</b>	<b>3,111</b>	<b>6,845</b>

The Directors consider the carrying amounts recognised in the Balance Sheet to be a reasonable approximation of their fair value.

## NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2009

### 11. EQUITY

The movements in equity follow:

FOR THE YEAR TO	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Opening issued equity	77,878	77,866	77,878	77,866
<b>Net proceeds of shares issued &amp; fully paid</b>				
Costs of shares issued	-	(6)	-	(6)
Share based payment expense	-	18	-	18
<b>Closing issued equity</b>	<b>77,878</b>	<b>77,878</b>	<b>77,878</b>	<b>77,878</b>
<b>Retained earnings</b>				
Opening balance	2,253	(165)	3,869	1,278
Net profit/(loss) for the year (after tax) attributable to equity holders of the company	961	2,418	(525)	2,591
<b>Closing retained earnings</b>	<b>3,214</b>	<b>2,253</b>	<b>3,344</b>	<b>3,869</b>
<b>Minority interest</b>	-	10	-	-
<b>Closing balance</b>	<b>81,092</b>	<b>80,141</b>	<b>81,222</b>	<b>81,747</b>

#### Share Capital

At 30 June 2009 share capital comprised 78,559,197 ordinary shares (30 June 2008: 78,559,197). The shares are fully paid and have no par value.

All ordinary shares are equally eligible to receive dividends and the repayment of capital, and represent one vote at shareholder meetings of NZ Windfarms Limited.

#### Share Option Scheme

At a Special General Meeting held on 28 May 2007, shareholders resolved to pass the NZ Windfarms Share Option Scheme for Directors and the then Chief Executive Officer. The scheme also allows options to be issued to other employees in the future. No shareholder approval is required for the subsequent issues.

Directors Vicki Buck, Juliet McKee and Derek Walker, and former Directors Barrie Leay and Keith McConnell have been allocated 100,000 share options each and the then Chief Executive Officer, Chris Freear, 250,000 share options. For further information on the terms and conditions of these options refer to page 11. At 30 June 2009 no options had been triggered or exercised and no options were forfeited during the financial year (2008: nil).

There is no fair value adjustment of the options included as an operating expense at 30 June 2009 (2008: \$18,000).

#### Dividends

No dividends are proposed by the Directors for the year ended 30 June 2009.

## 12. EARNINGS PER SHARE

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

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Net result for the year	961	2,418	(525)	2,591
Weighted average shares on issue over year	78,559,197	78,559,197	78,559,197	78,559,197
<b>Basic earnings per share</b>	<b>\$0.01</b>	<b>\$0.03</b>	<b>\$(0.01)</b>	<b>\$0.03</b>
<b>Diluted earnings per share</b>				
Net result for the year	961	2,418	(525)	2,591
Weighted average shares on issue over year	78,559,197	78,559,197	78,559,197	78,559,197
Dilution effect of exercisable options for Directors and Chief Executive Officer	-	-	-	-
	78,559,197	78,559,197	78,559,197	78,559,197
<b>Diluted earnings per share</b>	<b>\$0.01</b>	<b>\$0.03</b>	<b>\$(0.01)</b>	<b>\$0.03</b>

## 13. RECONCILIATION OF NET PROFIT TO NET CASHFLOWS FROM OPERATIONS

AS AT	NOTES	GROUP		COMPANY	
		30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Net profit/(loss) attributable to equity holders of the company		961	2,418	(525)	2,591
<b>Non cash items</b>					
Depreciation	5	1,044	149	35	24
Amortisation	6	57	9	-	-
Taxation		(423)	67	(36)	141
Discount on acquisition	1	(3,209)	-	-	-
Impairment of advance to subsidiary entity		-	-	364	-
Impairment of intangible assets		693	-	-	-
Impairment of assets held for resale	3	245	90	245	90
Loss/(gain) on sale of assets		-	(3)	-	(3)
Fair value adjustment of options issued		-	18	-	18
Surplus attributable to minority interest		(10)	(2)	-	-
Gain on sale of investment		(79)	-	(79)	-
		(721)	2,746	4	2,861
<b>Changes in working capital</b>					
Trade and other payables		552	317	481	309
Interest accrued		1,812	(1,514)	1,812	(1,514)
Other current assets		96	(80)	4	(66)
		2,460	(1,277)	2,297	(1,271)
<b>Net cashflow from operating activities</b>		<b>1,739</b>	<b>1,469</b>	<b>2,301</b>	<b>1,590</b>

## NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2009

### 14. CASH AND CASH EQUIVALENTS

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Operating accounts	245	2,383	27	2,319
On call accounts	2,056	4,069	2,056	4,069
Short term deposits	8,175	52,075	8,175	52,075
	<b>10,476</b>	<b>58,527</b>	<b>10,258</b>	<b>58,463</b>

### 15. FINANCE INCOME AND FINANCE COSTS

Finance costs include all interest-related income and expenses. Where interest cost has been directly incurred in the construction of an asset, this cost has been capitalised to the cost of construction of the asset. To date there has been no capitalised interest.

### 16. RELATED PARTY TRANSACTIONS

Vector Limited is a related party due to Michael Stiassny and Simon Mackenzie being Directors of NZ Windfarms Limited and a Director and the Chief Executive of Vector Limited respectively. Vector Limited holds a cornerstone shareholding of 19.99% in NZ Windfarms Limited.

Vector Limited has entered into an agreement with NZ Windfarms Limited to provide general electricity services. In the year ended 30 June 2009 \$70,000 fees have been accrued to Vector Limited (2008 – \$nil).

#### Management fees

The Company has provided advances to its subsidiaries in order for them to fund their operations, including funding the costs associated with constructing the Te Rere Hau wind farm. The borrowings are interest free and repayable on demand. The balances of the advances at 30 June 2009 follow:

- NZWL-TRH Limited – \$68,072,000 (30 June 2008 – \$22,632,000)
- WindPower Maungatua Limited – \$nil (30 June 2008 – \$209,000)

The Company has been appointed by its subsidiary, NZWL-TRH Limited (formerly the Te Rere Hau Joint Venture) to manage the construction and operation of the Te Rere Hau wind farm. The Company received management fees from NZWL-TRH Limited and the Te Rere Hau Joint Venture during the current financial year. The management fees have been agreed between the Company and the Te Rere Hau Joint Venture and are subject to a management agreement. Management fees charged during the year to 30 June 2009 were \$480,000 (30 June 2008: \$480,000).

Management fees capitalised in NZWL-TRH Limited (and the Joint Venture) as a cost of construction of fixed assets were \$432,000 (30 June 2008: \$468,000) with \$48,000 (30 June 2008: \$12,000) expensed to the Income Statement.

The Company provided consultancy and accounting services to WindPower Maungatua Limited. Consulting and accounting fees charged during the year ended 30 June 2009 were \$53,000 (2008: \$15,000). Consulting fees capitalised as Land Use Consents during the year ended 30 June 2009 were \$43,000 (2008 – \$13,000) with \$10,000 (2008 – \$2,000) expensed to the Income Statement.

Internal profits on the management, consultancy and accounting fees have been eliminated in the Group accounts.

#### Key management

Key management personnel short term employee benefits, including remuneration to Directors, was \$702,000 during the year ended 30 June 2009 (2008: \$547,000).

#### Directors' remuneration

Directors' remuneration of \$230,000 was paid and expensed during the year (30 June 2008: \$242,000). The drop in Director's remuneration was a result of two Directors resigning in October 2008 and one new Director joining the Company in May 2009.

Key related party shareholdings are as follows:

NAME OF RELATED PARTY	RELATIONSHIP	NUMBER OF SHARES
Derek and Janice Walker	Derek Walker, Director	20,000
Vicki Buck	Director	36,000

## 17. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

### Carbon credits

The Company has entered into an emission reduction project agreement with the Crown in relation to the Te Rere Hau wind farm. The agreement requires completion of minimum milestones and the generation of maximum emission reductions, this then invokes the entitlement to emission reduction units saleable on the open market.

The following table details maximum emission reduction unit entitlements as per the agreement with the Crown. Figures below are for the year to 31 December:

YEAR	TONNES OF CARBON DIOXIDE TCO <sub>2</sub> -E
2008	1,296
2009	34,000
2010	113,000
2011	131,000
2012	131,000

An international market for carbon credits is emerging and allows the trading of carbon credits between parties. There is no active market for carbon credits within New Zealand at this stage. The current international market price of carbon credits ranges from Euro8 to Euro12 per tonne. The Company commenced earning emission reduction units on 1 January 2008 and earned 1,296 units during the year ended 31 December 2008. The emission reduction units will be recognised as an asset at fair value the time the Crown issues the units. The 2008 units have not yet been issued by the Crown.

### Bank bonds

The Company has provided a performance bond to a supplier of \$4,637,000 (2008: \$4,637,000), which is secured by way of a term deposit with ANZ National Bank Limited.

### Negative pledge

The Company has undertaken that it will not create or permit to arise or exist over its assets any Security Interest other than a Permitted Security Interest (as defined) during the term of a 20 year agreement to lease an internal electricity gathering system that connects the onsite sub-station to the Trustpower sub-station, which in turn connects to the national grid (refer notes 19 and 20). The Company has provided the supplier with a bank bond for 50% of the bonded sum; if the Company provides the supplier with a bank bond or guarantee for 100% of the bonded sum the negative pledge is terminated with immediate effect.

## 18. CAPITAL COMMITMENTS

During the year ended 30 June 2009 the Group confirmed the purchase of 32 turbines (2008: 32 turbines) from Windflow Technology Limited. The Company's capital commitment as at 30 June 2009 was \$22,003,000 (30 June 2008: \$11,217,000).

The Group has also entered into construction contracts for electrical, roading, foundations and the site office for the construction of the wind farm. The Group's capital commitments outstanding as at 30 June 2009 for these costs is \$1,289,000 (30 June 2008: \$519,000).

## NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2009 CONTINUED

### 19. FINANCE LEASE

On 8 October 2007 the subsidiary Company, NZWL-TRH Limited entered into a 20 year agreement to lease an internal electricity gathering system, which connects turbines to the onsite sub-station. The finance lease commenced in September 2008. At the end of the lease NZWL-TRH Limited has the option to acquire the assets for a nominal price. There are no finance leases in the Company.

The lease liability follows:

AS AT	MINIMUM FUTURE LEASE PAYMENTS GROUP		PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS GROUP	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
<b>Non-cancellable lease commitments:</b>				
Within 1 year	638	-	104	-
1 to 5 years	2,550	-	538	-
More than 5 years	9,032	-	4,906	-
Minimum lease payments	12,220	-	5,548	-
Less future finance charges	(6,672)	-	-	-
<b>Present value of minimum lease payments</b>	<b>5,548</b>	<b>-</b>	<b>5,548</b>	<b>-</b>

Included in the financial statements as:

Finance lease – current	-	-	104	-
Finance lease – non-current	-	-	5,444	-

### 20. OPERATING LEASES

The Group has three operating leases and the minimum operating lease payments follow:

AS AT	GROUP		COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Lease payments expensed during the year	527	104	34	71
<b>Non-cancellable lease commitments:</b>				
Within 1 year	976	53	34	34
1 to 5 years	3,848	128	9	9
More than 5 years	14,041	1,023	-	-
	<b>18,865</b>	<b>1,204</b>	<b>43</b>	<b>43</b>

The operation of the Te Rere Hau wind farm on land at Te Rere Hau is 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 wind rights agreement is for a maximum period of 70 years.

On 8 October 2007, the Group entered into a 20 year agreement to lease an internal electricity gathering system that connects the onsite sub-station to the Trustpower sub-station, which in turn connects to the national grid. The finance lease commenced in September 2008.

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

## 21. 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 could not exercise the put option until 1 July 2009. The put option has not yet been exercised.

## 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company and Group is exposed to a variety of financial, operating and investing risks.

Key risks that affect the Company include:

### Availability of funds and funding lines

Following the successful capital raising in June 2007, the Company gained the financial resources to progress with its share of the Te Rere Hau project and to accelerate the sourcing and consenting of further projects.

The acquisition of NPBB's 50% interest in the Te Rere Hau Wind Farm Joint Venture in December 2008 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 resulted in the requirement to raise additional funds to complete the Te Rere Hau wind farm project.

However the Board has determined that it will not finalise a funding strategy until it has a better understanding of the implications of not receiving IEC certified turbines, and has established that the turbines are or will be fit for purpose for the Te Rere Hau wind farm site. If funding is not secured there is a risk that the Te Rere Hau wind farm is not completed.

### Resource consent for Te Rere Hau Eastern Extension

On 29 May 2009 NZ Windfarms lodged a resource consent application with Tararua District Council to install 56 turbines in an area adjoining the current consented Te Rere Hau wind farm. This Extension area has a better wind resource than the lower slopes of the existing farm and hence the Company would like to preferentially locate most or all of the 32 Batch 4 turbines in this area.

### Electricity price risk

The Group sells electricity on the wholesale spot market. This market sets price according to demand and accordingly there is uncertainty about the returns that can be achieved from the sale of electricity based on the wholesale electricity spot price.

A decrease in the average electricity spot price of \$10/MWh would have decreased electricity revenue by approximately \$184,000.

### Concentration of credit risk

In the normal course of business, the Company incurs credit risk from transactions with financial institutions. The Company has a Treasury Policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures with counterparties have been set and approved by the Board of Directors and are monitored on a regular basis.

Financial instruments which potentially subject the Company to credit risk consist of cash, funds on deposit and trade receivables.

The Company places its cash and funds on deposit with approved registered banks with limits on the amount of exposure to any one financial institution.

Electricity generated from the Te Rere Hau wind farm is sold on the spot market to the Clearing Manager (Energy Clearing House Limited). The Clearing Manager acts as a broker for all the wholesale market participants, meaning a concentration of credit risk. The Group does not generally require or hold collateral against credit risk.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

### Carbon credits

The Group is entitled to receive emission reduction units from the Te Rere Hau wind farm project if it achieves contracted emission reduction conditions. The Group plans to trade these emission reduction units in return for cash (refer to Note 17).

## NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2009

### 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

#### Liquidity risk

Liquidity risk is monitored by continuously forecasting actual cashflows and matching the maturity profiles of financial assets and liabilities.

#### Interest rate risk

The Company's income and operating cashflows are affected by changes in market interest rates. The Company has been primarily exposed to interest rate risk as a result of placing surplus funds from its May 2007 capital raising on short term deposits.

A decrease in the average deposit interest rates by 100 basis points would have decreased interest income by approximately \$39,000.

#### Fair values of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, Trade and other receivables, Trade and other payables.

The carrying amounts of these balances are approximately equivalent to their fair value because of the short term to maturity and because surplus funds on deposit are placed with approved registered banks with limits on the amount of exposure to any one financial institution.

### 23. SEGMENT ANALYSIS

The Company and Group operates in one business segment, electricity generation and one geographical segment, New Zealand.

### 24. IMPUTATION CREDIT ACCOUNT

Dividends paid by New Zealand resident companies may include imputation credits representing the taxation already paid by the Company 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 movements in the imputation credit account are detailed below:

FOR THE YEAR TO	COMPANY	
	30 JUNE 2009 \$000's	30 JUNE 2008 \$000's
Credit at beginning of the year	(1,198)	[27]
Income tax (paid) refund	8	[1,171]
	<b>(1,190)</b>	<b>(1,198)</b>

### 25. SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

When selecting the Windflow WF500 turbines for use at Te Rere Hau, NZ Windfarms required that Windflow Technology agree to seek Class 1A Design Certification of the WF500 turbine in accordance with the International Electrotechnical Committee Standard WT-01:2003 (IEC Class 1A Certification). The Company has placed orders with Windflow Technology for 97 turbines in reliance on positive progress reports from Windflow Technology on the certification process.

Windflow Technology has advised that the turbines supplied to date and yet to be supplied for use at Te Rere Hau will not meet IEC Class 1A Certification Standard. At the time of reporting, the Company is seeking expert advice to determine how material the difference between the turbines supplied is from turbines that would gain IEC certification. It is also reserving its position in regard to what mitigation or remediation it will seek from Windflow Technology. The objective is to be satisfied that all of the turbines supplied by Windflow Technology for Te Rere Hau will be fit for purpose for the conditions expected on the site even though they may vary from the final designs submitted for certification.

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## **26. GOING CONCERN**

The financial statements have been prepared using the going concern assumption. The continued operations of the Group are dependent on the ability to fund future activities from operational cashflows and funding.

The Company and its subsidiaries have prepared business plans and budgets which indicate that cash generated as a result of operations is insufficient for the Company to continue operating for a period of at least 12 months from the date these financial statements were approved by the Board of Directors.

The Company is proposing to raise funding in order to complete the development of the Te Rere Hau wind farm. On completion of the wind farm the Company's cashflow projections demonstrate sufficient net cash surpluses to fund the ongoing operations of the wind farm. The timing and method of raising funding will be determined by the Board pending progress with resolving the IEC certification issue.

For the reasons set out above, the Board believes the going concern assumption is a valid basis on which to prepare the financial statements. The Board reached this conclusion having regard to the circumstances which they consider likely to affect the Company during the period of one year from the date these financial statements are approved, and to circumstances which they believe will occur after that date which could affect the validity of the going concern assumption.

While the Board is confident in the Company's ability to continue as a going concern, there is uncertainty with respect to achieving the operational cashflows predicted and the raising of additional funding prior to utilisation of available cash resources. Accordingly, there is uncertainty as to whether the Company can continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable. If the Company was unable to continue in operational existence and pay debts as and when they become due and payable, adjustments may have to be made to reflect the situation that assets may need to be realised and liabilities extinguished other than in the normal course of business, and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

# AUDIT REPORT

**Deloitte.**

## AUDIT REPORT TO THE SHAREHOLDERS OF NZ WINDFARMS LIMITED

We have audited the financial statements on pages 16 to 39. The financial statements provide information about the past financial performance of NZ Windfarms Limited and group and their financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out on pages 20 to 23.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which give a true and fair view of the financial position of NZ Windfarms Limited and group as at 30 June 2009 and of the results of their operations and cash flows for the year ended on that date.

### AUDITORS' RESPONSIBILITIES

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

### BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in NZ Windfarms Limited or any of its subsidiaries.

### FUNDAMENTAL UNCERTAINTY

The financial statements have been prepared on a going concern basis, the validity of which depends on future funding being available from operational cash flows and the proposed raising of additional funding.

In forming our unqualified opinion, we have considered the adequacy of the disclosures in Note 26 of the financial statements concerning the Board of Director's plans with respect to achieving the operational cash flows predicted and the raising of additional funding within the timeframe budgeted and prior to utilisation of available cash resources. The financial statements have been prepared on a going concern basis, the validity of which depends on the successful implementation of such plans. These plans have been confirmed by the Board of Directors as outlined in Note 26. The financial statements do not include any adjustments that would result from a failure to achieve the cash flow predicted both operational and through additional funding within the timeframe set out in the Board of Directors' plans. If the cash flows cannot be achieved within the timeframe set, the company may be unable to continue in operational existence for the foreseeable future and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amount at which they are currently recorded in the Balance Sheets. In addition, the company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities.

### UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by NZ Windfarms Limited as far as appears from our examination of those records; and
- the financial statements on pages 16 to 39:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of NZ Windfarms Limited and group as at 30 June 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 28 August 2009 and our unqualified opinion is expressed as at that date.



Chartered Accountants  
CHRISTCHURCH, NEW ZEALAND

This audit report relates to the financial statements of NZ Windfarms Limited and group for the year ended 30 June 2009 included on NZ Windfarms Limited's website. The Board of Directors are responsible for the maintenance and integrity of the NZ Windfarms Limited's website. We have not been engaged to report on the integrity of NZ Windfarms Limited and Group's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 28 August 2009 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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# DIRECTORY

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**DIRECTORS**

Derek Walker of Palmerston North (Chairman)  
Vicki Buck of Christchurch (Deputy Chair)  
Wyatt Creech of Wellington (appointed May 2009)  
Simon Mackenzie of Auckland  
Juliet McKee of Wellington  
Michael Stiasny of Auckland

**EXECUTIVE STAFF**

Steve Cross, Chief Executive Officer  
Garry Forward, Chief Financial Officer

**SOLICITORS**

Anthony Harper Lawyers  
47 Cathedral Square  
Christchurch

Russell McVeagh  
48 Shortland Street  
Auckland

**REGISTERED OFFICE**

Level 5, 315 Manchester Street  
Christchurch

**AUDITOR**

Deloitte  
32 Oxford Terrace  
Christchurch

**SHARE REGISTRY**

Link Market Services Limited  
138 Tancred Street  
Ashburton

**BANKERS**

ANZ National Bank Limited  
Level 2, corner Colombo and Hereford Streets  
Christchurch

**INSURANCE BROKERS**

Marsh Limited  
Level 4, 233 Cambridge Terrace  
Christchurch



**NZ Windfarms**  
POWERED BY NATURE

[WWW.NZWINDFARMS.CO.NZ](http://WWW.NZWINDFARMS.CO.NZ)