Annual Report

For the year ended
30 June 2021

NZ Windfarms Ltd
POWERED BY NATURE

POWERED BY NATURE

Contents

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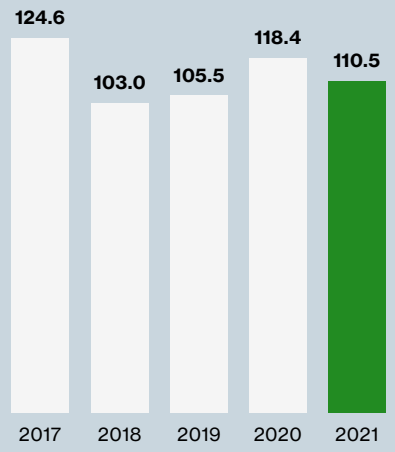
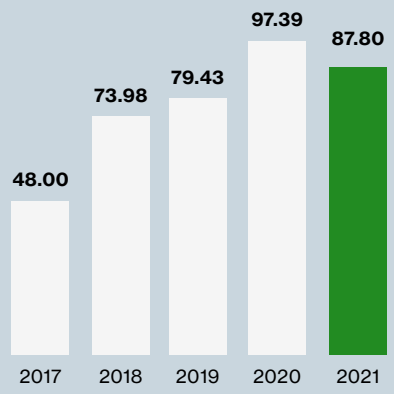
NZ Windfarms Limited

Financial Overview

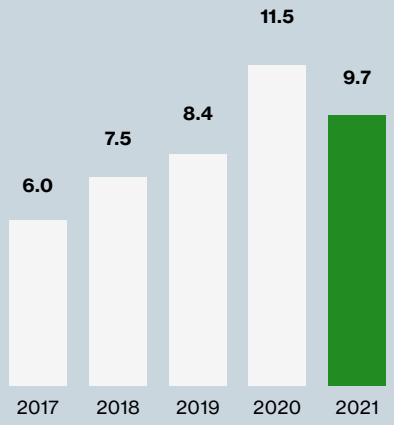
GENERATION (GWh)



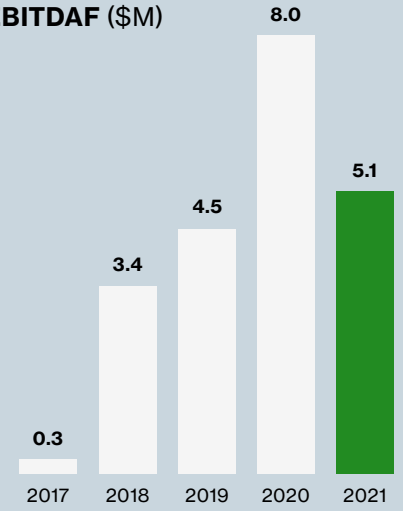
NET ELECTRICITY PRICE (GWAP $MWh)



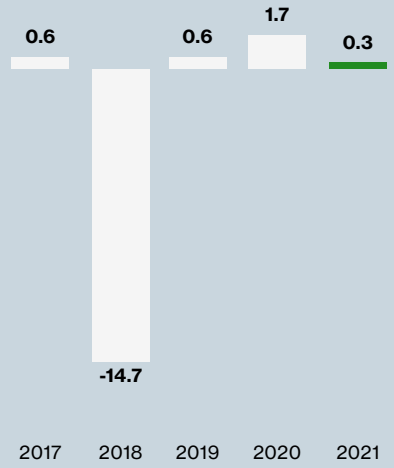
NET ELECTRICITY SALES ($m)



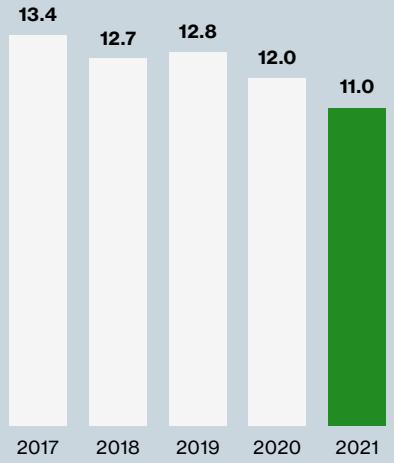
EBITDAF ($M)



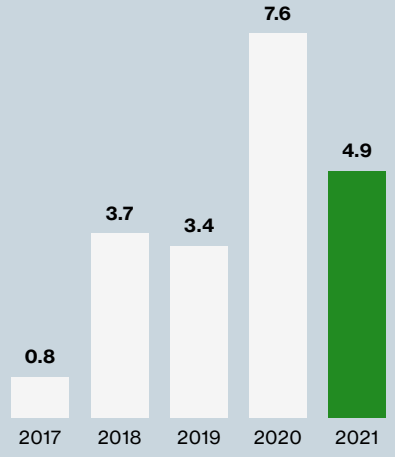
NPAT ($M)



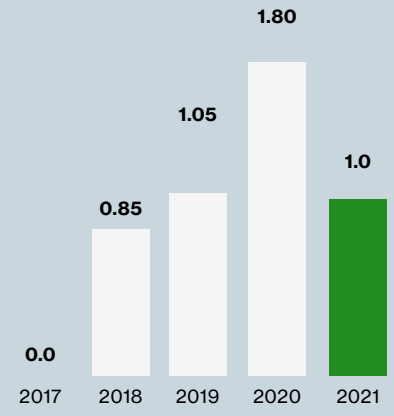
NTA (CPS)



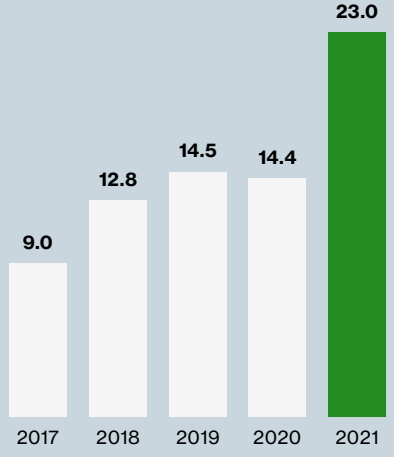
OPERATING CASH FLOW ($M)



GROSS DIVIDENDS (cps)



SHARE PRICE (CPS) AT 30 JUNE



NZ Windfarms Limited

Chairman's Review

Dear Shareholders,

Greetings | Kia ora koutou katoa

Having advanced our transition to a more stable, income-generating platform from existing assets for shareholders, your Board this year is pleased to present its view on the longer-term future and strategic focus for the Company. We have also formulated a permanent Dividend Policy going forward which I urge all shareholders to read and understand.

NZ Windfarms is able to give shareholders a broad overview of this future. There is a large amount of work that still needs to be done and some details are commercially sensitive, but we will share what we can now. As we progress, naturally, we will give updates on material developments to shareholders when they occur.

This Chair's report will broadly cover the matters below:

- the 2021 fiscal year in review and the current 2022 fiscal year's outlook,
- the macro backdrop to our strategic positioning,
- an initiative focusing on furthering work on re-powering Te Rere Hau with a new mainstream fleet of turbines. We view this as a brownfield development,
- The Board has also considered a secondary future work stream to be the identification of potential greenfield sites; and
- Dividend Policy.

The CEO's report will go into more detail on financial and operational details, including EBITDAF guidance for 2022 fiscal year. Guidance will be materially higher than this year's result due to higher prices that are locked in for 100% of production. The main variable, as always, will be how much the wind favours us. This last financial year the wind was particularly weak just at the end of the year.

I will point out that guidance is only based on existing operations and exclude the effects of our future growth initiatives. The board has some visibility on the costs over the next 12 months on those initiatives, but these costs have the potential to be added to should they be warranted to expand on the strategic work I will outline below.

2021 - A Climate-Change Year for NZ Windfarms!

The key backdrop to our thinking was the advancement of a Paris Accord vision to be net neutral on carbon emissions by 2050. New Zealand Aotearoa is not alone in this pursuit, there is a broad adoption of this globally. The European Union is championing this move as are certain states in the USA and very few countries are ignoring this issue. Our own Government has been very clear about its intent and that has implications at an unprecedented level for the electricity sector. The rate, magnitude of change and the breadth of effect over industries and individuals is so large that it can be thought of as a new industrial revolution.

This has significant meaning to NZ Windfarms in a number of ways [1]. Foremost is the change in the makeup of energy consumption domestically. Electricity today only makes up about 25% of energy usage domestically with liquid fluids, gas and other forms of energy accounting for 75%. In a very short period, particularly against the normal industry horizons used, there will be a rapid shift away from carbon emitting energy sources. In New Zealand, policy settings are targeting wind and solar as the main sources of new generation.

This growth amounts to an increase in electricity demand of 1.7% per year for the next 30 years, significantly above 0.2% per year growth the industry has seen over the last 10 years and higher even than the 1.3% per year over the last 30 years. This extraordinary growth will see electricity generation growth of at least 100% by 2050. The NZ Government forecasts in 2050 wind will generate ten times the energy it generates today. Depending on the farm output size, New Zealand might need a new wind farm every year until 2050.

In short, industry conditions are very favourable to both increased production from existing assets and the building of new generation. While NZ Windfarms is currently relatively small, it has considerable operational experience in the New Zealand environment, and this covers on-farm activities and corporate support such as revenue hedging with

1 Most market data and projections are either sourced from New Zealand Infrastructure Commission, Te Waihanga – "State of Play", 2021, or Ministry of Business, Innovation and Employment - "Energy in New Zealand 2020."

The government's renewable energy policy commitments during the year were also favourable for our Company, and we continue to support the country's drive to more renewable energy.

New Zealand counterparties. The New Zealand environment is unique compared to other systems around the world. This is especially highlighted by the lack of price support for wind versus thermal generation and the ability of hydro generation to cherry pick pricing.

In addition to the industry outlook, to support reaching the conclusions about our focus on re-powering and further possible greenfield opportunities, the Company has utilised a range of outside advisors and internal resources. The advice sought has generally been provided by leaders in their field and this will continue to be the preferred approach going forward.

These workstreams have included: external financial modelling both on the current farm and possible alternatives to that based on preliminary generation, modelling to support re-powered generation estimates, an assessment of resource consent pathways, confidential discussions with a number of mainstream turbine providers; and input from other advisors.

Generation from a new fleet could be three times the current expected generation of 117 GWh over the existing fleet. This output is only a guide to shareholders as actual generation is obviously dependent on final configuration including size and number of turbines.

It is important to note that turbine technology over the past almost two decades has matured significantly since Te Rere Hau was first considered. Manufacturers today generally make smaller incremental performance gains rather than leaps. Shareholders can rest assured that any re-powering project will be based around a mainstream product. The exciting thing is we know what the wind does on the field after a decade of operations.

Any decision to advance in the future will also be supported by a robust commercial case. It is also almost certain, amongst other requirements, a final investment decision will require a commercially acceptable off-take agreement, operations and maintenance contract, a viable resource consent, and acceptable funding.

On the question of funding, the Company has explored a range of possible options and while no commitments have been sought it is confident that funding options are available. The future workstreams will support information requirements to seek as competitive a funding programme as we can. Many options exist given the rapid development and green energy interest being championed by governments and large funding providers around the world. It is also supported by the Company's turnaround based on our operations and our repositioning of other value levers such as the VVFPAs.

Company representatives, either staff or directors, have attended a range of conferences either virtually or in person to deepen understanding of these initiatives and how NZ Windfarms could be positioned.

It has become clear that as the sole listed windfarm operator in New Zealand, we provide a unique platform for investors. I would like to welcome all the new shareholders that have joined us over the year, reflecting the deep public interest in green energy and especially wind. We have seen the addition of 23,000 shareholders on the Sharesies platform over the past year, which represents one of the largest collective ownership by Sharesies users of any NZX-listed corporate. Overall, we saw a 40% growth in direct shareholder numbers. In total we have around 26,000 shareholders. We understand the interest you and effectively the general public in New Zealand Aotearoa has in clean energy. Our new initiatives recognise this strongly growing support which we intend to take advantage of on your behalf.

Milestones

Our VVFPA contract has again proven valuable, ensuring predictable revenue, governed only by the strength of the wind. This provided a level of certainty against which we could advance our move to pro-active, systematic asset management for the future. This meant that, despite reduced wind generation for the year after a good first half, and higher operating costs from some unexpected, non-recurring costs, our EBITDAF performance and returns to shareholders remained attractive. I am proud of the hard work of the team over recent years which has ultimately resulted in a much more robust platform for execution and future growth.

Our programme of work on our Dividend Policy was completed and the Board now operates to an established policy. The two key features of the Policy are dividends will be decided on quarterly and will target a pay out of between 70 – 100% of free cash flow. The dividend, announced today, is within that range at 96% of free cash flow for the year.

Implementing our long-term focus: Re-powering Te Rere Hau

Without losing attention to continuous improvement for our operations, your Board's focus is now our long-term ambition to further improve our ability to make the most of our valuable wind resource.

We also recognise and acknowledge our important local stakeholders, in particular the local community and our immediate neighbours, iwi organisations and the territorial authorities in the Manawatu and Tararua districts. We are focused on maintaining a very positive and long-term partnership with our stakeholders and are committed to the open two-way dialogue established in the more recent past.

We view all our advisors as Partners but especially those providing advice on resource consenting, technical assessment and outcomes, legal, and capital requirements. The Company is focused on making quality appointments through a considered assessment process, hence reducing risk and increasing the probability of a successful project outcome.

Managing uncertainty, improved market conditions and more supportive policy

New Zealand's relatively strong performance thus far during the pandemic has meant that electricity prices have remained elevated – assisted during the year by announcements about the medium-term future of Tiwai Point. The government's renewable energy policy commitments during the year were also favourable for our Company, and we continue to support the country's drive to more renewable energy.

While the long-term policy and market environment continues to migrate towards renewable, sustainably-generated energy, which is core to our offer, there may well be ongoing consideration of refinements to transmission rules, as well as consideration of the vertically-integrated 'gentailer' model – especially in light of recent supply shortages and power outages on one of the coldest nights of winter.

Acknowledgements

Your Board of Directors has enjoyed a busy and productive year, and on your behalf, I extend our thanks to each member of the Board who has helped guide and support our team as it has achieved another year of renewal and growth. Particular thanks to Director Phil Lennon who left the Board during the year. We are grateful to Phil's diligence and service to the business, and we wish him well for future endeavours.

I am also delighted to welcome Christine Spring to the Board. The Board had identified a range of skills that were missing to support our future initiatives. Christine has an extensive background in major projects, from conceptualisation, early planning and ultimate delivery.

Our thanks also to our talented management and operational team which has built on last year's efforts to continue to navigate the challenges of the COVID-19 pandemic, with its curve balls for our supply chain as well as considerable health and safety considerations. In addition, their attention to detail meant that, despite lower wind flow and higher costs, we achieved a creditable result by ensuring we maximised our generation capability. And after those endeavours were also able to robustly support the information, the Company needed to decide, with confidence, on our future initiatives.

May I also acknowledge you, our shareholders for your continued support and especially those new shareholders mentioned earlier. I would love to say I look forward to seeing everyone at the AGM (Covid influence excluded) but 26,000 of you at an AGM would provide a new challenge in itself.

We are delighted to have reached a place where we are a stable, income-generating Company for our shareholders, and we know we can offer a lot more in the years to come with our new initiatives. We do this with the aim of both rewarding existing shareholders, but also creating an attractive offer for new shareholders who are seeking growth exposure to New Zealand's burgeoning renewable energy sector.

Thank you | Nga mihi nui

John Southworth
Chairman

NZ Windfarms Limited

Chief Executive Officer's Review

Dear Shareholders,

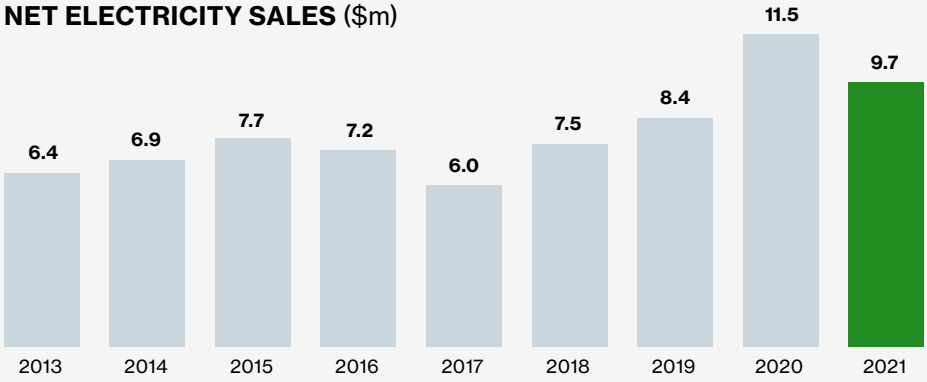
Greetings | Kia ora koutou katoa

Overview

This year the Company recorded its second highest net electricity revenue[1], EBITDAF[2], and operating cashflow levels. This was due to our Variable Volume Fixed Price Agreement (VVFPA) and our continued focus on capturing as much as we could from our generation asset. Despite a low wind year and higher operating costs compared to the prior year, we can be satisfied with

- Net Electricity Revenue (including realised loss on derivatives) of $9.7m (2020: $11.5m);
- Net Electricity Price GWAP[3] of $87.80 per MWh (2020: $97.39);
- Operating Cash Flow of $4.9m (2020: $7.6m);
- Profit before tax of $0.5m (2020: $2.4m);
- Net Profit after Tax of $0.3m (2020: $1.7m);
- Final Unimputed Dividend of 0.45 cps (2020: 0.70 cps) or $1.3m (2020: $2.0m); and
- Impairment reversal movement (required by NZ IFRS) of +$3.13m (2020: impairment loss of $0.06m).

NET ELECTRICITY SALES ($m)



EBITDAF Year Ended: 30 June 2021

EBITDAF of $5.1m was below the EBITDAF guidance range of $5.7m and $6.3m we reaffirmed at mid-year. This was primarily due to unseasonably lower wind generation and thus revenue of -$0.76m and higher operating costs of +$0.10m in the second half of the financial year. Generation and revenue was also marginally impacted by a scheduled four day continuous grid outage, in the second half.

In addition, approximately $0.4m of annual operating expenditure was non-recurring in nature. Non-recurring costs were factored into the guidance provided at mid-year and are discussed further later. If these costs were excluded, actual EBITDAF would have been higher by that amount.

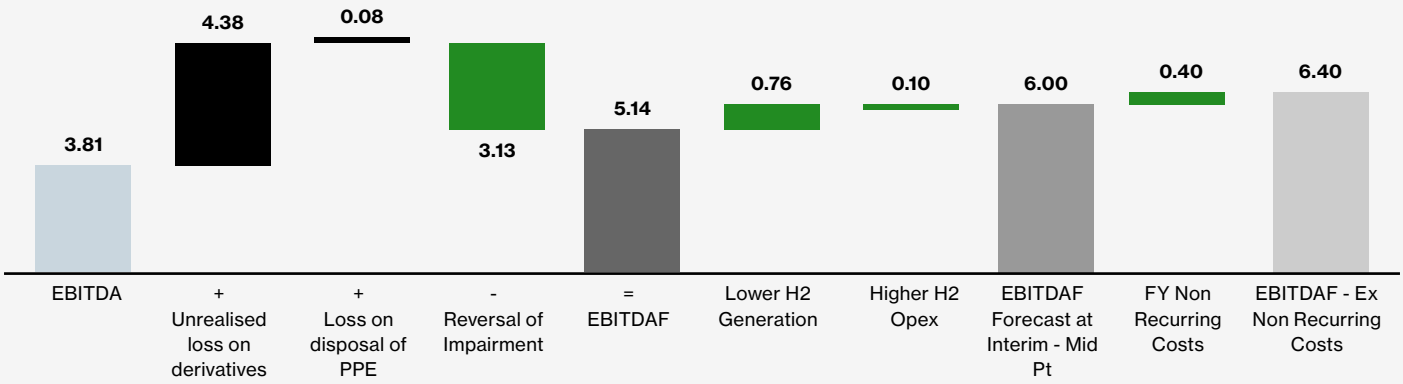
This year the Company recorded its second highest net electricity revenue , EBITDAF , and operating cashflow levels.

1 Net electricity revenue – Electricity sales revenue less realised (loss)/gain on derivatives.

2 EBITDAF - Earnings before interest, tax, depreciation, amortisation, and fair value adjustments. EBITDAF is a non-GAAP measurement. The Company utilises EBITDAF to provide shareholders with a view of underlying operational earnings on a like-for-like basis overtime. EBITDAF is a common measure utilised by listed companies. Please note NZ Windfarms definition may be different to others in the market. Please refer to the EBITDAF waterfall chart on page 9 for a reconciliation of EBITDAF to the audited financial statements.

3 Net GWAP – Generation weighted average price with realised financial derivatives netted off gross revenue.

EBITDAF WATERFALL CHART ($m)



FY2022 EBITDAF Guidance

Based on our forecasts for FY2022, we anticipate EBITDAF in the range of $7.8m to $8.6m based on the current cash generation assets. This is materially higher than the year just completed and is a result of the elevated forward prices at the time the fixed price contracts were executed. The net electricity price for FY2022 is 100% fixed at a GWAP based on our budgeted generation profile of $107.22 MWh (2021: $87.80 MWh)

Guidance is provided on the basis of information available to the Board at this time and is subject to variations such as climatic and other factors outside of the Company's control. Forward electricity generation is based on historical production volumes adjusted for relevant factors. Wind generation can be extremely volatile due to a range of factors outside our control. The EBITDAF range excludes all costs related to investigating the repower and reconsenting of Te Rere Hau as these costs are expected to be capitalised. Guidance will be updated, at the half year or if a material event occurs

The net electricity price for FY2023 is estimated at $108.92 MWh. The price is 100% fixed for the first quarter of FY2023 and the last three quarters is a blended price of 25% fixed and 75% estimated spot price based on observable forward prices. The budgeted generation profile is applied to determine a GWAP. During the year ahead we will look to fix the remaining 75% of unhedged generation between 1 October 2022 and 30 June 2023 (dependent on market conditions). At the time of writing short dated futures have eased considerably from the levels observed at the end of May, but long dated futures have remained elevated.

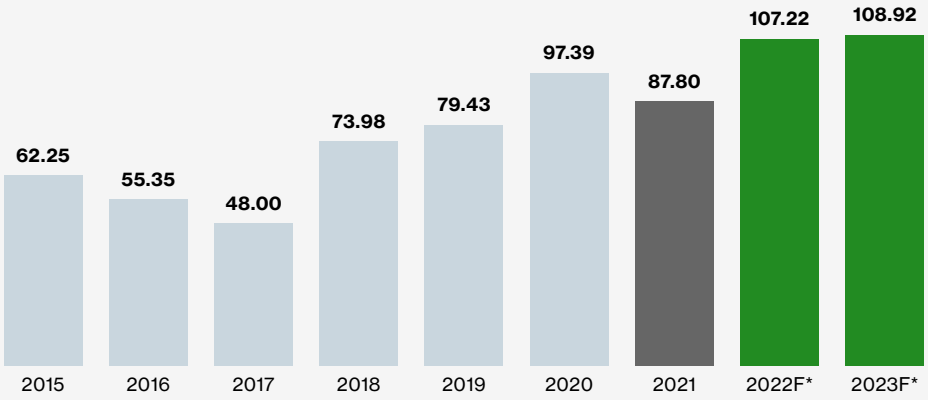
Revenue, Generation and Availability

Revenue was assisted by our VVFPA and by electricity prices remaining buoyant, helped by some medium-term clarity around supply to the Tiwai Point aluminium smelter. Shareholders will recall that the Company had assumed the smelter would remain. Spot electricity prices have been at record levels caused primarily by low hydro storage, restricted gas flows to supply gas generation units, the requirement to run expensive short run marginal cost generators and low winds. Lake levels have normalised lately, but medium-term gas flow issues remain.

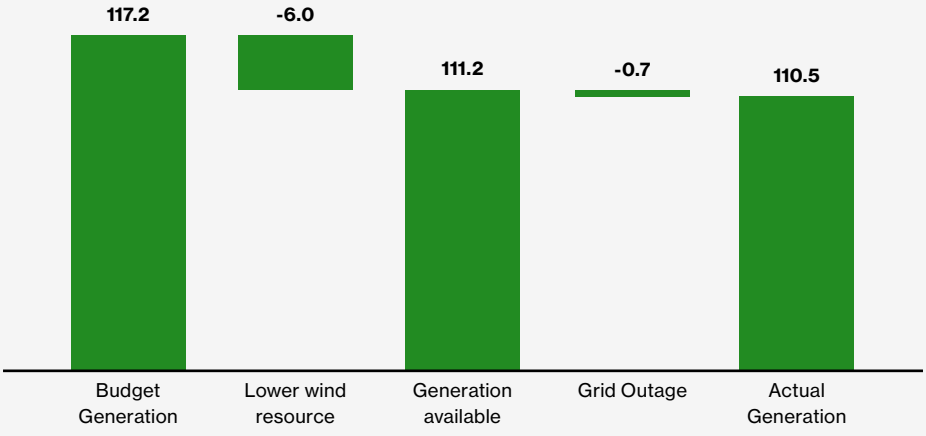
Generation was down on last year at 110.5 GWh (2020: 118.4 GWh), a result of very low wind in the last four months of the financial year, something that could not be foreseen at mid-year. At the interim result we were forecasting potential full year generation of 120.0 GWh or H2 generation of 55.1GWh. We received 45.6GWh (H2 2020: 50.7 GWh) of H2 generation, 17% below forecasts. Our wind resource, represented by average mean wind speed was 9.5 m/s (2020: 9.7 m/s). In addition, there was a grid outage that partially impacted H2 generation for the year by -0.7 GWh (2020: -2.3Wh). These outages are unavoidable but are typically scheduled during historically low wind and dry periods in late summer and autumn.

Availability was a respectable 95.6% (2020: 95.3%). This compares favourably to our OEM benchmark of 95.0% (2020: outperformed), but below the industry benchmark of 97.0% (2020: underperformed).

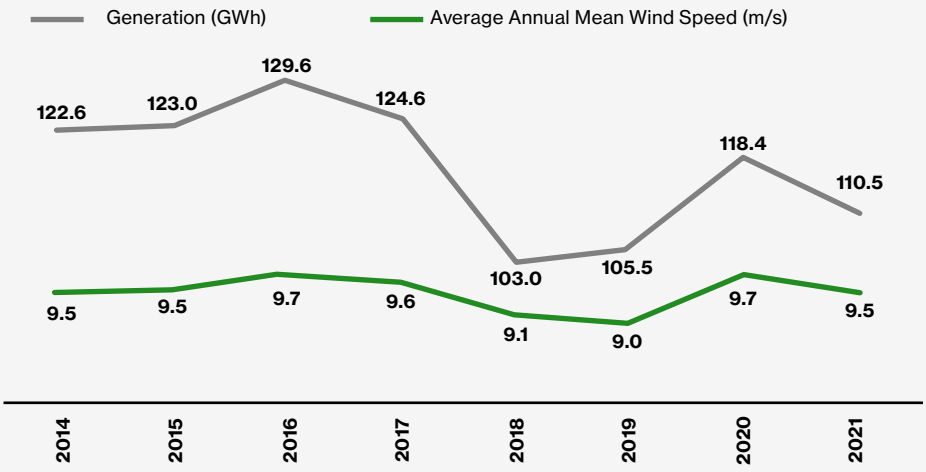
NET ELECTRICITY PRICE (GWAP $MWh)



GENERATION WATERFALL CHART FOR YEAR ENDING 30 JUNE 2021 (GWh)



GENERATION (GWH) AND AVERAGE MEAN WIND SPEED (M/S)



Variable Volume Fixed Price Agreement

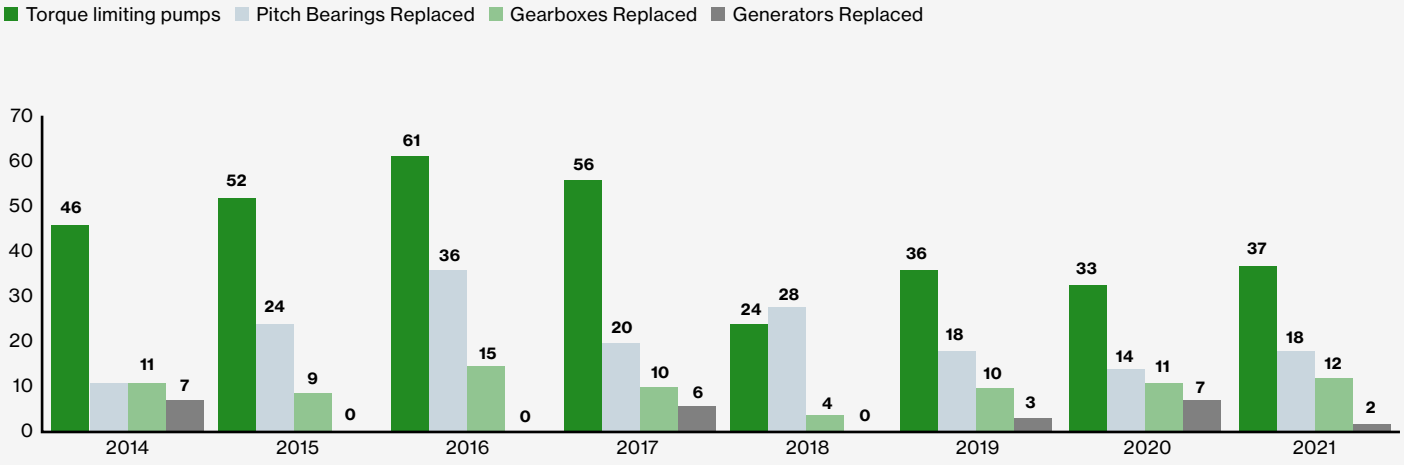
A full year operating under our VVFPA has demonstrated its value in providing a clear forward view of net electricity prices. Having a reliable forecast of revenue enables us to take a prudent approach to the management and maintenance of our turbine fleet. The VVFPA remains a key component of our dividend strategy. The electricity price for FY2022 is 100% fixed at an approximate GWAP of $107.22 MWh (2021: $87.80 MWh)

Derivatives

Derivatives primarily relate to the accounting treatment of the VVFPA. Two items drive the large unrealised derivative loss of $4.4m (2020: loss $1.9m) recorded in profit or loss and the derivative liability recorded in the balance sheet of $5.8m (2020: liability $1.4m). The first is the length of the derivative contract remaining at balance date and the second is the difference between the VVFPA price level and the observable forward price. At year end the Company was 100% hedged for five quarters beyond year end plus another three quarters at 25% beyond that. This compares to the prior year in which the Company was 100% hedged ahead for only two quarters. In addition, the difference between the VVFPA price levels and the observable forward prices was negative. Therefore, the combined impact is a large MTM unrealised derivative liability recorded on the balance sheet $5.8m (2020: liability $1.4m). The difference between the balance sheet derivatives liability for this year and the prior year of $4.4m ($5.8m less $1.4m) is recorded as an unrealised liability in profit and loss.

* FY2022F and FY2023F Net GWAP Electricity Prices in the chart are forecast estimates. The other periods relate to actual financial information. A description of both forward net electricity prices in this chart are discussed in the "FY2022 EBITDAF Guidance" Section.

KEY COMPONENTS REPLACED



These are both non-cash adjustments required by the accounting standards. Realised derivative losses of $5.9m (2020: gain $1.4m) were the result of the VVFPA being lower than the realised and record high monthly spot electricity prices. Please refer to note 13 for further information.

Operating expenditure

This year we introduced non-destructive testing (NDT) on all towers, selected foundation studs, and early design series blades. This is part of asset management planning to baseline the resilience of key structural components. No issues were detected in the towers and foundation studs. A proactive blade strengthening program was designed for a subset of early series blades by a reputable composites consulting firm. The blade strengthening programme was implemented by the operational team on site. The consultant costs, elevated work platform hire, and NDT specialists contributed to some of the additional operating costs compared to the prior year. Going forward NDT will be undertaken on a sampling basis and therefore costs for this specialised work are expected to be lower. A portion of these costs can be characterised as non-recurring. The asset resilience and blade strengthening work underpins our commitments to keeping our people safe and enables the operation of the fleet in a safe, efficient and sustainable manner.

Maintenance was required in the substation and on our electrical reticulation system. While this was a non-recurring cost, it was essential work to maintain our critical connection infrastructure. Operational costs relating to increased inventory and consumable utilisation, cranes and freight costs were higher compared to the prior year. Insurance was disappointingly higher, especially given the premium relief observed during the prior year. Insurance cover for material damage, business interruption and directors & officers insurance saw the largest increases. Costs related to strategy development and planning were higher than anticipated. These are expected to increase as we investigate the repower of Te Rere Hau and seek greenfield opportunities to add additional generation sites. While we maintain strict cost controls, we recognise that we must remain flexible in situations where maintenance is required on critical infrastructure and components.

Key component replacement and capital expenditure

The chart below highlights the key components replaced between FY2014 and FY2021. The turbine platform and infrastructure is robust and enhanced component life is reaching steady state. Capital expenditure was in line with budget, as were expected component replacements.

Distributions and New Dividend Policy

Today the Board announced a 0.45 cps unimputed dividend (2020: 0.70 cps) to be paid 22 September 2021. Details are included in the accompanying distribution notice. This follows distributions on 31 December 2020 of 0.40 cps (unimputed), and a 0.15 cps (unimputed) dividend on 9 April 2021. Total unimputed dividends related to the full financial year are 1.00 cps (2020: 1.80 cps) or $2.9 m (2020: $5.2m). The Company's dividend policy consolidates our position to continue to deliver income-generating dividends for shareholders. The policy will see the Company seek to pay dividends each year of between 70% - 100% of free cash subject to carve outs.

Bank Funding and Capital Structure

The Company's term debt with BNZ provides a stable funding environment, and we continued to pay down debt by $0.95m (2020: $0.93m). Total debt at the end of the reporting period stood at $9.0m (2020: $9.9m), Net Debt is $6.5m (2020: $6.2m) and net debt to EBITDAF is 1.26 times (2020: 0.77 times). $7.3m of the outstanding principal has the interest component fixed until Q1 2023. Net interest cost was $0.13m (2020: $0.25m). We will review our capital structure and funding requirements in the year ahead.

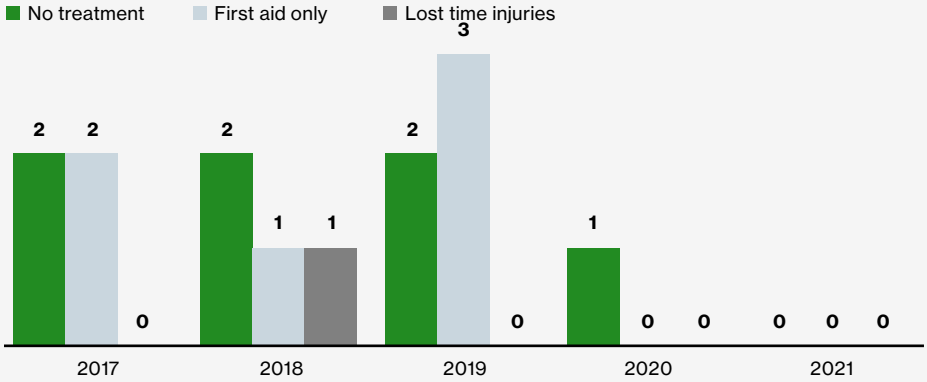
Reversal of Prior Impairments – Non-Cash Adjustments

Every year the Company tests the carrying value of its cash generating assets to determine if the carrying value is appropriate. This year the test determined an increase to the carrying value or technically a reversal of prior impairments of + $3.1m. This was driven primarily by an increase in the short end of the forecast electricity price path (a function of record high forward electricity prices) and partially offset by an increase in WACC. This is a non-cash accounting adjustment. The reversal of prior impairment is included in net profit after tax but it is excluded from EBITDAF.

COVID-19

We continue to closely manage conditions arising from the pandemic, both in terms of health and safety requirements, but also with respect to our international suppliers and delivery lead times. These remain disrupted by Covid-19 safety protocols imposed on shipping crews and cargo at ports both domestically and around the world. The second level 4 lockdown in New Zealand is ongoing at the time of publishing and we are closely monitoring developments in this regard.

HEALTH AND SAFETY METRICS



Health and Safety

Another year with zero recordable health and safety events reflects our central commitment to health and safety. Our top-down health and safety culture affects all actions on site. The whole team pays close attention to our metrics in this space to ensure we put the safety of our people, contractors, partners and public first and foremost.

Staffing

Our creditable result reflects the hard work of our team right across our operation. Their commitment to continuous improvement yielded results to further improve the resilience of our turbine fleet, and our ability to extract maximum generation despite low winds for the latter part of the financial year. My thanks to everyone in the team for their ongoing professionalism and dedication, including additional flexibility at times to deal with COVID-19 disruptions and operational protocols.

Partnerships

We continue to work closely with our communities in the Tararua Ranges. We are grateful for the opportunity to access such a valuable wind resource, and constantly seeking ways to reduce our impact.

Local residents will have seen that, we have joined other land owners in co-operating with Mercury and Vestas to allow the haulage of the remaining Turitea wind farm blades through Te Rere Hau. This will greatly reduce the oversize traffic movements and associated delays along the Pahiatua Track and is an example where multiple entities can cooperate, to greatly improve the lives of many local residents who utilise this highway on a daily basis.

We continue to strengthen our relationships with our suppliers and partners to build further resilience in our supply chain and equipment sourcing. Our lean operating model means this ecosystem of suppliers and partners is critical to our business and we are grateful for their continued support.

We continue to work closely with our communities in the Tararua Ranges. We are grateful for the opportunity to access such a valuable wind resource, and constantly seeking ways to reduce our impact.

This year we consolidated our efforts to create a solid platform to enable our future strategy with work now underway to investigate the repowering and re-consenting requirements of Te Rere Hau and to secure additional generation sites around the country as part of our Greenfields programme.

Clean and renewable energy

We are fortunate to be operating in one of the world's leading wind generation locations. Our 92 turbines with a capacity of 46 MW produces enough electricity to power about 16,000 homes, or in excess of half the households in Palmerston North, using clean and renewable energy. Were the electricity we produce to be generated by a gas-fired power plant, it would emit roughly 64,000 tonnes of carbon dioxide, equivalent to an additional 23,000 cars on the road.

Outlook

This year we consolidated our efforts to create a solid platform to enable our future strategy with work now underway to investigate the repowering and re-consenting requirements of Te Rere Hau and to secure additional generation sites around the country as part of our Greenfields programme. Repowering the existing two-bladed fleet, with the latest technologically-advanced and efficient wind turbines, from a global manufacturer, requiring fewer, larger three-bladed machines, could triple generation, and lower operating and capital expenditure per megawatt hour. There are many key milestones to achieve such as the successful reconsenting of Te Rere Hau, before a final investment decision can be made. This is some time in the future. If a repowering decision is made, the current fleet will likely be run for cash maximisation and the balance of plant can be reused and enhanced where possible: for example, roads, buildings and switchyards. As the strategic pathway becomes more definitive, the Board will start incorporating these conclusions into future impairment model settings for the current cash generating unit. Pursuing a repowering strategy could increase renewable energy supply for New Zealanders, assist Government to achieve its renewable energy targets, support the electrification of transportation and industrial heat processes, provide jobs and economic benefits to the local economy, and further unlock strategic value in the Company.

Our progress to date, combined with the opportunity in front of us, will make our Company increasingly attractive to shareholders seeking both income-generation as well as growth from an environmentally sustainable and responsible investment.

Once again thank you for your support and we look forward to an exciting year ahead.

Thank you | Nga mihi nui

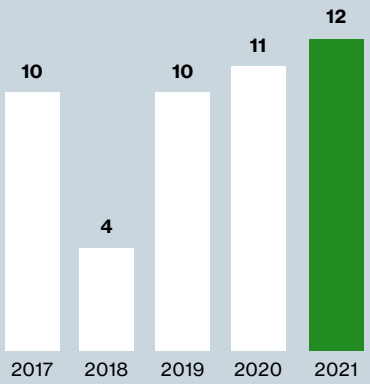
Warren Koia
Chief Executive Officer

Pursuing a repowering strategy could increase renewable energy supply for New Zealanders, assist Government to achieve its renewable energy targets, support the electrification of transportation and industrial heat processes, provide jobs and economic benefits to the local economy, and further unlock strategic value in the Company.

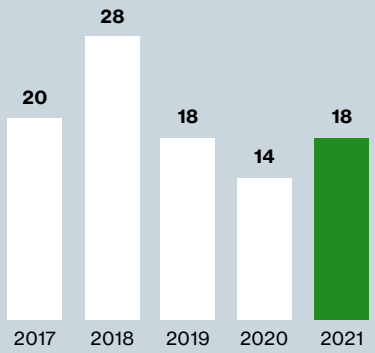
NZ Windfarms Limited

Operational Overview

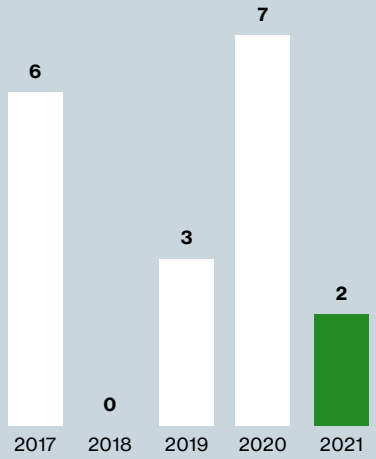
GEARBOXES REPLACED



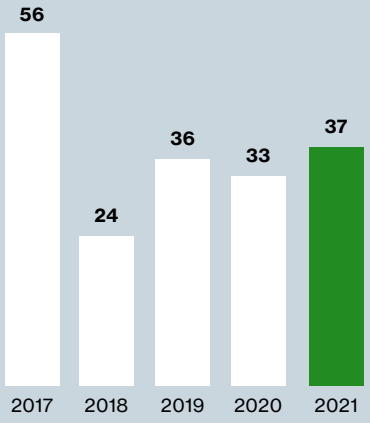
PITCH BEARINGS REPLACED



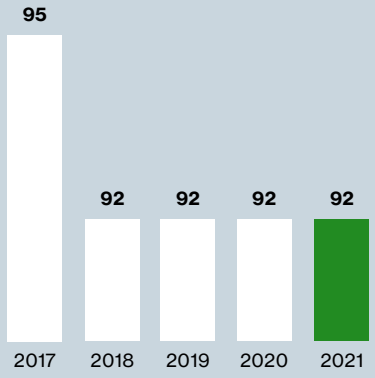
GENERATORS REPLACED



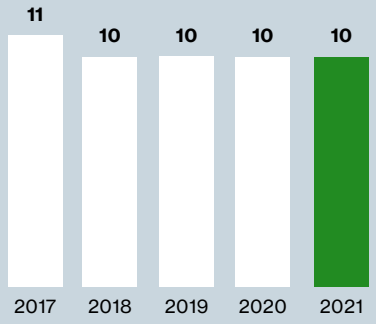
TORQUE LIMITING PUMPS REPLACED



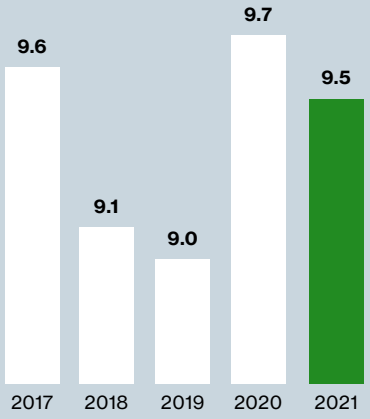
OPERATIONAL TURBINE FLEET



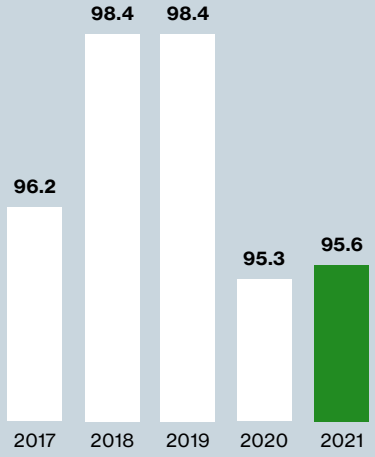
STAFF NUMBER'S



AVERAGE ANNUAL MEAN WIND SPEED (m/s)



AVAILABILITY (%)



GRID OUTAGE FOREGONE GENERATION (GWh)

Director Profiles

The Directors of NZ Windfarms Limited are:

John Southworth
Chairman

John was appointed to the Board in November 2016 and has been Chairman since May 2019. He is an independent director and a shareholder in the Company.

John has 25 years of experience in the finance sector including funds management, share-broking sales and research, and special situations investment. He has been involved in a number of high value transactions either as manager or advisor across a range of industries. John represents the Company's third largest shareholder.

John is Chair of the Remuneration & Nomination and Health & Safety Committees.

Patrick Brockie
Director

Patrick was appointed to the Board in May 2019. He is an independent director and does not hold any shares in the Company.

Patrick is Chief Financial Officer at City Rail Link Limited. City Rail Link is a $4.4bn 3.5km double-track tunnel underneath Auckland's city centre. Previously he was Head of Loans & Specialised Finance for ANZ from 2010 to 2018. Prior to ANZ, Patrick had a 20 year career with Citibank based in New Zealand, Singapore, Hong Kong and London with his last position as Managing Director and Global Head of Export & Agency Finance. Patrick has extensive experience with debt markets including project and acquisition finance with a strong focus on renewable energy and infrastructure. Patrick was Chair of Infrastructure New Zealand from 2015 to 2018.

Patrick is Chair of the Audit and Risk Committee and is a member of the Remuneration & Nomination and Health & Safety Committees.

Mark Evans
Director

Mark was appointed to the Board in May 2019. He is an independent director and shareholder in the Company.

Mark has over 30 years self-employed business experience directing, developing, owning and operating a diverse set of businesses across a wide range of business sectors. They include retail, industrial services, commercial property, finance and management consulting and commercial property portfolio restructures. Mark is currently the Managing Director of Site Managers Ltd and Kericrest Properties Ltd.

Mark is a member of the Audit & Risk, Remuneration & Nomination, and Health & Safety Committees.

Christine Spring
Director

Christine was appointed to the Board in March 2021. She is an independent director and does not hold any shares in the Company.

Christine is an independent director of Auckland International Airport and has been since 2014. She is also an independent director of Hawkes Bay lines company, Unison, an independent director of Western Sydney Airport Limited, and Chair of Isthmus Group Ltd. Christine has had an extensive management career, primarily as a civil engineer and as a senior executive in the aviation sector. She has delivered large capital development projects, including in New Zealand and Australia

Christine is a member of the Audit & Risk, Remuneration & Nomination and Health & Safety Committees.

Corporate Governance Statement

NZ Windfarms Limited

For the year ended 30 June 2021

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 Limited Main Board 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 Code ("NZX Code"). NZ Windfarms Ltd ("NZ Windfarms", "the Group" or "the Company") has no significant differences from the NZX Code. The following section summarises the key governance and compliance policies and procedures in place:

Code of Ethics

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 Code 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 behaviour and accountability.

A formal Code of Ethics 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 Whistle-blower's Policy and disciplinary procedures. The Code of Ethics 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 Group. The Board is the final body responsible for decision making within the Group and maintaining the Group's corporate governance and ethical business practices. The Board of Directors corporate governance responsibilities include overseeing the management of the Company and Group 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 shareholders and other stakeholders for the performance of the Group and to ensure that the Group is compliant with laws and standards.

The Board establishes the corporate objectives of the Group and monitors management's implementation of strategies to achieve the objectives. It is engaged in on-going 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 Group operates.

The Board monitors financial results, comparing them to budgets, annual plans and forecasts, at regular 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 and charters.

Delegation of authority

Where appropriate the Board delegates its authority 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 in the NZX Limited Main Board Listing Rules 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 on-going 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 Executive Officer to any trading by insiders, including all employees of NZ Windfarms. The Chief Executive Officer must obtain the written consent of the Chairman of the Board of Directors prior to any trading in securities by the Chief Executive Officer. On receipt of an application for consent from a Director, the Chief Executive Officer must obtain approval from two Directors (neither of whom is the Director applying) prior to any consent being granted.

Treasury Policy

NZ Windfarms has a Treasury Policy to manage interest rate, electricity derivatives 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 details of authorised counter parties, 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 year-end, the Board comprised four Directors: a non-executive Chairman, and three non-executive Directors, all of which are independent Directors.

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

The details and backgrounds of the Directors are detailed above. 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 Company maintains an Interests Register and if necessary, conflicts of interest are recorded 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 regularly (usually monthly) for meetings. Key executives attend Board meetings by invitation. For each meeting the Chief Executive Officer prepares a report to the Board that includes a summary of the Company and Group's activities, together with financial reports and wind farm capital expenditure and operational updates. In addition, the Board receives regular briefings on key strategic issues from management.

The Company offers a Director's induction programme for newly appointed Directors. All Directors have advice of Board policies and procedures, Company Constitution, the Board timetable and Board 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 and Chief Financial Officer provide 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 judgement.

It has been determined by the Board that Patrick Brockie, Mark Evans and Christine Spring are independent directors. John Southworth is also considered an independent, non-executive Chairman. John Southworth is a Director of LET Capital Number 1 Ltd, the Company's 3rd largest shareholder holding at 4.28%.

All Directors are required to immediately advise if any new relationships could 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.

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 Board meeting.

Audit governance and independence

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 Auditor. No employees or partners of the auditor's firm hold shares in the Company and the External Auditor confirms annually its commitment to strict procedures to ensure independence.

Representatives of the Company's External Auditor are invited to attend the Annual General Meeting.

Reporting and disclosure

Annual and Interim six-monthly reports are published in accordance with the requirements of the *Companies Act 1993*, the *Financial Reporting Act 2013* and the NZX Limited Main Board Listing Rules and 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 online at our website 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 and Group's state of affairs. All major disclosures are posted on the Company's website on a timely basis. The Company releases all material information via the NZX website under its continuous disclosure requirements.

Rotation of Directors

Directors must retire from office in accordance with the Company's constitution and the NZX Listing Rules. A retiring Director(s) is eligible for re-election.

Directors and Officers gender composition

At 30 June 2021 there were six (2020: six) Directors and Officers. The gender composition is shown in the table below.

	2021	2020
Directors - female	1	0
Directors - male	3	4
Officers - female	0	0
Officers - male	2	2

Diversity Policy

The Board actively monitors its equity, diversity, and inclusion policy. There have been no breaches.

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 Patrick Brockie (Chair), Mark Evans and Christine Spring.

The Audit and Risk Committee is responsible for monitoring the on-going effectiveness of risk management activities. The Committee monitors trends in the Group'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, 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 2013 on matters relating to the Group'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 Naylor Lawrence & Associates Ltd (Virtual CFO) attend Committee meetings by invitation as does the external auditor when required.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee at the end of the financial year comprised John Southworth (Chair), Patrick Brockie, Mark Evans, and Christine Spring. The Remuneration & Nomination Committee has two purposes. The first is to review Directors' fees, the Chief Executive Officer's remuneration package and performance, and the policy for remuneration of senior management. These reviews form the basis of recommendations to the Board. Details of Directors' remunerations are set out under the section headed Directors remuneration. The second purpose is to ensure the Company has formal and transparent processes for the nomination and appointment of Directors and to identify any skill gaps to ensure diversity and experience on the Board.

Health & Safety Committee

The Health & Safety Committee at the end of the financial year comprised John Southworth (Chair), Patrick Brockie, Mark Evans, and Christine Spring. The Health & Safety Committee's purpose is to champion and promote health and safety on behalf of the Board and ensuring a proactive culture and practices to create a safe and healthy working environment. The Committee reviews Health & Safety policies, practices and reports to ensure the Company is providing a safe working environment for all employees and contractors, and that it complies with all statutory and regulatory requirements pertaining to Health & Safety.

Director Attendances at Board and Sub Committee Meetings

	Board Meetings Attended /Meetings Held	Audit & Risk Committee Meetings Attended / Meetings Held	Health & Safety Committee Meetings Attended / Meetings Held	Remuneration & Nomination Committee Meetings Attended / Meetings Held
John Southworth	9 of 9	–	1 of 1	5 of 5
Patrick Brockie	9 of 9	6 of 6	1 of 1	5 of 5
Mark Evans	9 of 9	6 of 6	1 of 1	5 of 5
Christine Spring (appointed 1 March 2021)	5 of 5	1 of 1	1 of 1	1 of 1
Philip Lennon (resigned 31 December 2020)	4 of 4	2 of 2	–	1 of 1

Directors' Shareholdings as at Year-End

Directors' disclosure of their shareholdings pursuant to Section 148 of the Companies Act 1993 and the NZX Listing Rules at year-end are listed below:

Name of Related Party	Relationship	Shares 30 June 2020	Movement	Shares 30 June 2021
John Southworth	Director	12,427,017	0	12,427,017
Patrick Brockie	Director	0	0	0
Mark Evans	Director	10,844,988	0	10,844,988
Christine Spring	Director	0	0	0

John Southworth's shares are held as follows:

- LET Capital No 1 Limited holds 12,340,017 shares, and
- 87,000 shares are held by John Southworth.

Mark Evans' shares are held as follows:

- Kericrest Properties Limited holds 10,844,988 shares.

Statutory Information

NZ Windfarms Limited

For the year ended 30 June 2021

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. Cessation of an interest is marked with an asterisk.

Director	Period	Counterparty	Nature of Interest
John Southworth	Full year	LET Capital Limited	Director/Shareholder
		NZWL-TRH Limited	Director
		TRH Services Limited	Director
		Discovery Asset Limited	Director
Patrick Brockie	Full year	NZWL-TRH Limited	Director
		TRH Services Limited	Director
		World Vision New Zealand	Trustee
		City Rail Link Limited	Employee
Mark Evans	Full year	Winter Pixel Limited	Shareholder
		NZWL-TRH Limited	Director
		TRH Services Limited	Director
		Site Managers Limited	Director/Shareholder
		Kericrest Properties Limited	Director/Shareholder
Christine Spring	Part year (appointed 1 March 2021)	Auckland International Airport Limited	Director
		Isthmus Group Limited	Chairperson
		NZWL-TRH Limited	Director
		TRH Services Limited	Director
		Unison Contracting Services Limited	Director
		Unison Networks Limited	Director
		Western Sydney Airport Limited	Director
Philip Lennon	Part year (resigned 31 December 2020)	NZWL-TRH Limited	Director (ceased)
		TRH Services Limited	Director (ceased)
		Tracient Technologies Limited	Director
		Hackthorne Acquisitions Limited	Shareholder
		Lennon Property Holdings Limited	Director/Shareholder
		Ezystream Limited	Shareholder Director/
		Brothers Stream Forest (No5) Limited	Shareholder
		Steval Properties Limited	Director/Shareholder
		Lennon RFID Developments Limited	Director/Shareholder
		ArcActive Limited	Director/Shareholder
		Tower Limited	Shareholder

NZX Waivers

The NZX Limited Main Board Listing Rules require listed companies to disclose in their Annual report a summary of all waivers granted and published by NZX within the twelve months preceding the date two months before the date of the publication of the Annual Report. There were no waivers granted by NZX in the reporting period.

Directors Remuneration

Directors' fees total $301,667 (2020: $298,757) per annum. As at 30 June 2021 remuneration levels are: The Board Chairman receives $106,000 per annum and the remaining directors receive a base fee of $65,000 per annum. The Chair of the Audit and Risk Committee receives an additional $6,000 per annum and the other members of the Audit and Risk Committee receive an additional $3,000 per annum. Membership of any other standing committees does not attract any additional fees. Fees paid to executive directors fall outside the director fee pool calculation.

The following table summarises the Directors' remuneration for the year ended 30 June 2021:

Director	Director Fees ($)
John Southworth	106,000
Patrick Brockie	71,000
Mark Evans	68,000
Christine Spring (appointed March 2021)	22,667
Philip Lennon (resigned December 2020)	34,000

No other benefits were received by the Directors of the Company. Reimbursements of appropriate costs (mainly travel to meetings) were made.

Directors Indemnity and Insurance

The Company has Directors' and Officers' Liability insurance of $20,000,000 (2020: $20,000,000) in the aggregate.

Subsidiaries

The following persons held the office of Director of NZ Windfarms Limited's subsidiaries as at 30 June 2021. No Director of any subsidiary received any Director fees or other benefits as a Director of the subsidiary companies.

NZWL-TRH Limited (100% owned): John Southworth (Chairman), Patrick Brockie, Mark Evans and Christine Spring.

TRH Services Limited (100% owned): John Southworth (Chairman), Patrick Brockie, Mark Evans and Christine Spring.

Stock Exchange Listing and Current Credit Rating Status

The Company's shares are listed on the NZX.

NZ Windfarms does not currently have an external credit rating.

Employee Remuneration

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

Remuneration range	Employees 2021	Employees 2020
$250,000 - $300,000	1	1
$200,000 - $250,000	1	0
$150,000 - $200,000	0	1
$100,000 - $150,000	5	5

Total remuneration above includes all benefits.

Shareholder Information

NZ Windfarms Limited

For the year ended 30 June 2021

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 share register as at 10 August 2021.

Twenty Largest Ordinary Shareholders

Shareholder	Address	Shares	% of Issued Capital
Robert Alexander Stone	Singapore	40,600,000	14.09%
New Zealand Depository Nominee	Wellington	38,125,783	13.24%
Let Capital Number 1 Limited	Wellington	12,340,017	4.28%
Hsu Cheng Yang	Auckland	11,500,000	3.99%
Kericrest Properties Limited	Kerikeri	10,844,988	3.76%
Custodial Services Limited	Tauranga	6,430,007	2.23%
Public Trust	Auckland	4,352,762	1.51%
Leveraged Equities Finance Limited	Wellington	3,800,000	1.32%
Po Hui Chi	Auckland	3,600,000	1.25%
BNP Paribas Nominees NZ Limited	Wellington	3,497,000	1.21%
Craig Earl Gregory Bowler	Waiuku	3,059,056	1.06%
Anthony John Anselmi & Ross Michael Alleman	Auckland	2,566,667	0.89%
Tony Whyman	Wellington	2,074,375	0.72%
Accident Compensation Corporation	Wellington	1,951,018	0.68%
FNZ Custodians Limited	Wellington	1,880,980	0.65%
Gregory Bruce Mallett & Jeannie Marie Lacey	Waikanae	1,500,000	0.52%
Sheng Fei Wang	Auckland	1,390,000	0.48%
Sarah Caroline Laurenson	Wellington	1,263,334	0.44%
Forsyth Barr Custodians Limited	Dunedin	1,220,765	0.42%
David Walter Iles	United States	1,121,022	0.39%

Holding Ranges	Number of holders	Shares	% of Issued Capital
1 to 1,000	230	155,111	0.05%
1,001 to 5,000	814	2,710,574	0.94%
5,001 to 10,000	492	3,976,092	1.38%
10,001 to 50,000	1,083	28,029,557	9.73%
50,001 to 100,000	280	21,278,631	7.39%
100,001 and over	294	231,913,619	80.51%
Totals	**3,193**	**288,063,584**	**100.00%**

Substantial Security Holder Notices

This information is given in accordance with the *Financial Markets Conduct Act 2013*. The Company holds substantial security notices from the following parties as at 30 June 2021:

Shareholder	Number of shares directly held	%
Robert Alexander Stone	40,600,000	14.09%

The total number of issued voting securities as at 30 June 2021 was 288,063,584 (2020: 288,063,584).

Auditor Remuneration

BDO Auckland has continued to act as auditors of the Company. Refer to note 2 for further information on auditor remuneration for the year ended 30 June 2021. The audit fees paid related to the audit of the annual consolidated financial statements. No other assurance activities have been performed by BDO Auckland.

Donations

No donations have been made during the year.

Directors' Statement

The Annual Report is dated 30 August 2021 and is signed on behalf of the Board by:

John Southworth
Chairman

Patrick Brockie
Director

Environmental Sustainability

NZ Windfarms Limited

For the year ended 30 June 2021

NZ Windfarms Limited is dedicated to minimising the impact of its operations on the environment.

Our business, our people, our customers and our communities rely on New Zealand's natural resources, and it's crucial we look after them. Environmental sustainability ensures our natural and shared resources are available to future generations.

We want to have a positive impact, not only on the environments in which we work, but also on the communities we share those environments with.

Community Wellbeing

Our philosophy is to 'be the neighbour you'd want to have'. We live, work and operate in communities, and we know our actions impact on the people and environment around us.

To us, this means respecting the rights of others, ensuring the safe and best practice operation of our sites, and making a positive contribution to the communities we call home.

We work hard to understand the needs and aspirations of our local communities, and to ensure they understand how our business works - and how we tick as people too. We have community engagement plans across our entire generation site and engage with stakeholders in our local communities year-round. We want to hear from our neighbours, both when times are good and not so good. We have a formal complaint process embedded in our operational reporting system. NZ Windfarms Limited takes opportunities to meaningfully engage with near neighbours to ensure their continued support for ongoing operations and potential repower opportunities in the future.

Climate Change

Momentum to limit the extent and impacts of global warming continues to grow in New Zealand. This includes the projected physical impacts of climate change and the transitional risks such as regulatory change and shifting consumer behaviour.

All of NZ Windfarms' electricity generation is renewable. We harness the power of wind to create clean energy for a fairer and healthier world. We believe we are well placed to support the transition to a low emissions economy, and are closely following how climate change policy will soon be taken into greater account by all councils and consenting processes.

We have recently re-examined our operational activities to identify potential actions to minimise climate change and environmental impacts.

As acknowledged in the Chair and Chief Executive's Report, the proposed mandatory climate-related financial disclosures for listed companies adds further impetus, and means NZ Windfarms will identify, assess, take action, and disclose material climate-related financial risks to our stakeholders and investors in future.

Reducing Carbon Emissions

We believe that as a business, we can help fight climate change through both reducing our own emissions, and supporting decarbonisation of energy in New Zealand. This benefits our communities, and also creates opportunity to grow demand for renewable energy which as a generator we are well positioned to meet.

NZ Windfarms has looked closely at operations and processes to identify where we can reduce carbon emissions. NZ Windfarms' current carbon impact is primarily diesel for maintenance vehicles and through indirect sources (such as transportation of maintenance spares).

We are committed to reducing our carbon footprint. We are currently working on setting short, medium and long-term carbon reduction targets that NZ Windfarms will commit to. In addition, we will embed climate change response in our core business strategy, financial planning and risk management framework. We will prioritise adapting our generation assets to mitigate climate change impacts and build resilience. We will continually seek opportunities to grow our renewable generation investment.

Environmental Compliance

NZ Windfarms generation stations operate within the constraints of three resource consents authorising their operation and maintenance. These consents contain multiple conditions which are actively managed for compliance. In the past year, there were no environmental incidents or near misses.

We have continued to implement environmental management plans for all our activities in physical environments, in keeping with our continual improvement philosophy and guided by incident investigation recommendations on risk reduction and environmental improvement opportunities. This ensures robust works planning through early engagement across our operations team.

The Te Rere Hau Wind Farm produces enough clean energy each year to power about 16,000 homes or in excess of 50% of households in Palmerston North.

To generate the same amount of energy, a gas-fired power plant would emit roughly 64,000 tonnes of carbon dioxide, the same as an additional 23,000 cars on the road.

Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

NZ Windfarms Limited

For the year ended 30 June 2021

	Notes	2021 ($)	2020 ($)
Income			
Electricity sales revenue		15,609,031	10,136,354
Gain on realised derivatives	13	–	1,394,088
Land lease		31,734	27,000
Total Income		**15,640,765**	**11,557,443**
Operating expenses			
Administration expenses		195,542	185,125
Audit fees	2	51,376	59,500
Directors' fees	16	301,667	298,757
Employment expenses	3	1,350,130	1,276,439
Insurance		292,285	165,422
Variable lease and rental expenses	18	76,728	41,905
Legal and consulting expenses		373,114	285,903
Realised loss on derivatives	13	5,910,596	–
Unrealised loss on derivatives	13	4,382,523	1,876,286
Reversal of impairment of property, plant and equipment	5, 15	(2,972,359)	–
Reversal of impairment of intangible assets	6, 15	(157,498)	–
Impairment of property, plant and equipment	5, 15	–	56,697
Loss on disposal of property, plant and equipment	5	81,169	399,542
Te Rere Hau wind farm operational expenses		1,801,046	1,034,200
Other operating expenses		149,299	228,108
Total Operating expenses		**11,835,617**	**5,907,882**
Profit before interest, amortisation, depreciation and tax		**3,805,148**	**5,649,560**
Interest			
Interest income on financial assets at amortised cost		5,049	21,143
Interest expense on liabilities at amortised cost		(246,963)	(540,711)
Net Interest		**(241,914)**	**(519,567)**
Profit before amortisation, depreciation and tax		**3,563,234**	**5,129,993**

These financial statements should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

NZ Windfarms Limited

For the year ended 30 June 2021

	Notes	2021 ($)	2020 ($)
Depreciation and amortisation			
Depreciation of property, plant and equipment	5	2,757,234	2,423,876
Depreciation of right-of-use assets	18	13,356	13,362
Amortisation of intangible assets	6	291,341	291,341
Total Depreciation and amortisation		**3,061,931**	**2,728,579**
Profit before tax		**501,303**	**2,401,414**
Income tax expense			
Income tax expense	1	189,620	673,908
Total Income tax expense		**189,620**	**673,908**
Net profit after tax		**311,683**	**1,727,506**
Total comprehensive income		**311,683**	**1,727,506**

	Notes	2021 ($)	2020 ($)
Earnings per share			
Basic earnings per share	11	0.0011	0.0060
Diluted earnings per share	11	0.0011	0.0059

These financial statements should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

NZ Windfarms Limited

As at 30 June 2021

	Notes	2021 ($)	2020 ($)
Assets			
Current Assets			
Cash and cash equivalents	14	2,506,298	3,735,782
Trade and other receivables	4	1,971,158	1,296,277
Inventories		898,360	1,260,177
Total Current Assets		**5,375,815**	**6,292,236**
Non-Current Assets			
Property, plant and equipment	5	42,746,389	41,043,924
Intangible assets	6	3,249,856	3,383,700
Deferred tax	8	2,703,857	2,897,367
Right-of-use assets	18	148,394	161,750
Total Non-Current Assets		**48,848,496**	**47,486,740**
Total Assets		**54,224,311**	**53,778,976**
Liabilities			
Current Liabilities			
Trade and other payables	9	1,637,026	1,246,891
Derivative liability	13	5,830,596	1,448,073
Lease liabilities - current portion	18	13,015	12,302
Insurance premium finance		–	91,132
Term loan - current portion	19	946,154	946,154
Total Current Liabilities		**8,426,791**	**3,744,553**
Non-Current Liabilities			
Term loan - non-current portion	19	8,015,442	8,946,325
Lease liabilities - non-current portion	18	182,785	195,800
Total Non-Current Liabilities		**8,198,227**	**9,142,125**
Total Liabilities		**16,625,018**	**12,886,678**
Net Assets		**37,599,293**	**40,892,298**
Equity			
Share capital	10	107,005,000	107,005,000
Accumulated losses		(69,405,707)	(66,126,596)
Employee share option reserve	10	–	13,894
Total Equity		**37,599,293**	**40,892,298**

These financial statements should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

NZ Windfarms Limited

For the year ended 30 June 2021

	Notes	2021 ($)	2020 ($)
Equity			
Share Capital			
Opening Balance		107,005,000	107,005,000
Closing Balance		**107,005,000**	**107,005,000**
Accumulated losses			
Opening Balance		(66,126,596)	(63,127,212)
Adjustment on initial application of NZ IFRS 16		–	(44,618)
Restated Opening Balance		**(66,126,596)**	**(63,171,830)**
Total comprehensive income for the period		311,683	1,727,506
Transactions with owners of the Company in their capacity as owners			
Employee share options forfeited - transferred from employee share option reserve, net of tax	10	10,004	70,781
Dividends paid	10	(3,600,797)	(4,753,053)
Closing Balance		**(69,405,707)**	**(66,126,596)**
Employee share option reserve			
Opening Balance		13,894	84,675
Share options forfeited - transferred to accumulated losses	10	(13,894)	(70,781)
Closing Balance		**–**	**13,894**
Total Equity		**37,599,293**	**40,892,298**

These financial statements should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

NZ Windfarms Limited

For the year ended 30 June 2021

	Notes	2021 ($)	2020 ($)
Consolidated Statement of Cash Flows			
Operating Activities			
Cash was received from:			
Trading revenue		14,988,227	10,126,051
Derivative gain realised	13	–	1,394,088
Interest received		5,049	21,143
Cash was applied to:			
Derivative loss realised	13	(5,910,637)	–
Payments to suppliers and employees		(3,951,244)	(3,407,357)
Interest paid		(233,117)	(502,568)
Net cash inflow from Operating Activities	12	**4,898,278**	**7,631,357**
Investing Activities			
Cash was applied to:			
Purchase of property, plant and equipment		(1,568,509)	(1,054,736)
Net cash outflow from Investing Activities		**(1,568,509)**	**(1,054,736)**
Financing Activities			
Cash was applied to:			
Repayment of Lease Liability	18	(12,302)	(11,628)
Repayment of BNZ loan	19	(946,154)	(924,191)
Dividend paid	10	(3,600,797)	(4,753,053)
Net cash outflow from Financing Activities		**(4,559,253)**	**(5,688,872)**
Net increase in cash and cash equivalents		**(1,229,484)**	**887,749**
Cash and cash equivalents, beginning of period		3,735,782	2,848,033
Cash and cash equivalents, end of period	14	**2,506,298**	**3,735,782**

Signed for and on behalf of the board as at 30 August 2021:

John Southworth
Chairman

Patrick Brockie
Director

These financial statements should be read in conjunction with the notes to the financial statements.

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2021

Reporting Entity And Statutory Base

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

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

Basis Of Preparation

These financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), International Financial Reporting Standards and the requirements of the Financial Markets Conduct Act 2013.

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

Measurement Base

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

Critical Accounting Estimates And Judgments In Applying Accounting Policies

In the process of applying accounting policies, the Group 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. The estimates and underlying assumptions are reviewed on an ongoing basis.

In particular, information about areas with significant risk or material adjustment in the 12 months from the reporting date 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 noted:

- Impairment and useful life of property, plant and equipment - accounting policies, notes 5 and 15.
- Impairment and useful life of intangible assets - accounting policy, notes 6 and 15.
- Recognition of deferred tax asset - note 8.
- Fair value of derivative financial instruments - accounting policy, note 13.

Changes in accounting policies

New standards that have been adopted in the annual financial statements for the year ended 30 June 2021 but have not had a significant impact on the Group are:

- NZ IAS 1 *Presentation of Financial Statements* and NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment - Disclosure Initiative - Definition of Material);
- Going Concern Disclosures (Amendments to FRS-44); and
- Revisions to the Conceptual Framework for Financial Reporting.

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2021

There have been no other changes in accounting policies. The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

New standards, interpretations and amendments not yet effective

The Group does not expect any standards issued by NZASB (or the IASB), but not yet effective, to have a material impact on the Group.

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 companies within the Group.

Basis of consolidation

Subsidiaries are those entities controlled directly by NZ Windfarms Limited. Control is achieved where the Company has the power over the investees; is exposed to, or has rights, to variable returns from its investment in the investees, and has the ability to use the power to affect returns.

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.

Revenue recognition

Revenue is generated from the grid, which is governed by one contract. There is a single performance obligation, being the sale of electricity. There is a standalone selling price for the sale of electricity.

Electricity revenue is recognised over time when control has transferred to the customer. This takes place when electricity is delivered to the national grid.

Energy futures derivatives

Energy futures derivative income is recognised on the fair value unrealised/realised gain/(loss) of 'contracts for difference' with NZ-based counterparties.

Refer to note 20 for further information on market electricity price risk and the Company's strategies to manage this risk.

Interest

Interest income and expenses are recognised on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the financial asset or liability or, when appropriate, a shorter period to the net carrying amount of the financial instrument.

Taxation

The taxation expense or benefit charged to the statement of comprehensive income represents the sum of the current tax payable and deferred tax.

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 future utilisation of the losses is probable.

Deferred tax is recognised providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are generally recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. 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 reporting date.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined principally on the weighted average price basis. Inventories include finished good consumable items. The inventories are consumed in the process of generating electricity.

Property, plant and equipment

Property, plant and equipment is stated at cost and other than land, is depreciated in equal instalments over the estimated economic lives of the assets. For constructed assets, depreciation commences when construction is completed and where appropriate, the asset is available for use in the manner intended by management.

The economic lives have been estimated for the current and prior period as follows:

- Office equipment - 5 years
- Buildings, plant and equipment - 5 to 40 years
- Motor vehicles - 4 years
- Foundations - 50 years
- Electrical - 20 to 50 years
- Roading - 50 years
- Wind turbines (including tower, blades and components) - 5 to 40 years

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

Intangible assets

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

Intangible assets are carried at cost less impairment and accumulated amortisation (recognised over the estimated useful lives of the assets).

The useful lives have been estimated as follows:

- Land use consents and wind rights - 35 years
- Wind farm grid connection rights - 20 years

The Group applies the straight line amortisation method.

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 and other intangible assets, are initially recorded at cost, less amortisation calculated on a straight line basis and accumulated impairment losses.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate used determined by the group's incremental borrowing rate on commencement of the lease. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right-of-use assets are initially measured at the amount of the lease liability at commencement date of the lease.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease which is equal to the remaining economic life of the assets.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated terms increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use assets is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The group is party to four wind right agreements for the Te Rere Hau Wind Farm Eastern Extension, two agreements maturing in July 2029 and two agreements maturing in March 2035, all with rights of renewal. The landowners own the land on which 32 installed turbines are located. Under the agreements, in return for the wind farm rights, the group pays the landowners lease payments based on electricity output and electricity revenue generated from the 32 turbines located on the land. These variable payments are exempted under NZ IFRS 16 and expensed as costs are incurred - one of the agreements consists of variable payments only and as such was exempted under NZ IFRS 16.

The percentages in the table below reflect the current proportions of lease payments that are fixed.

30 June 2021	Lease contract number	Fixed payments
Leases with fixed payments	3	100%

Financial instruments - initial and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under NZ IFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents, and trade and other receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

The Group's financial assets at fair value through profit or loss includes derivative assets.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECL's) for all debt instruments not held at fair value through profit or loss. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL's are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of liabilities at amortised cost, net of directly attributable transaction costs.

The Group's amortised cost financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Other financial liabilities

This is the category most relevant to the Group. After initial recognition, other financial liabilities are subsequently measured at amortised cost using the Effective Interest Rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings, and trade and other payables.

Financial liabilities at fair value through profit or loss

This category comprises out-of-the-money derivatives where the time value does not offset the negative intrinsic value. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The Group does not hold or issue derivative instruments for speculative purposes, but for economic hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

The Group's financial liabilities at fair value through profit or loss include derivative financial instruments.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Employee benefits

Short term employee entitlements

Accruals are made for benefits accruing to employees in respect of wages, salaries, KiwiSaver contributions, annual leave and sick leave when they are expected to be wholly settled within 12 months and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement .

The accruals are presented as current employee entitlement liabilities in the balance sheet and the expense is recognised as employees perform services that entitle them to remuneration.

Payments to defined contribution plans

Obligations for contributions to KiwiSaver plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Impairment of non-financial assets

At each reporting date, the carrying amounts of property, plant and equipment assets, intangible assets and right-of-use assets are reviewed 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 cash inflows 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 cash flows 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.

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 in profit or loss.

After impairment, if the recoverable amount of an asset (cash generating unit) is estimated to be more than its carrying amount, the carrying amount of the asset (cash generating unit) is increased to its recoverable amount to the maximum extent had the asset not been previously impaired. A reversal of impairment is recognised as a gain immediately in the profit and loss.

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2021

Statement of cash flows

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

Operating activities are the principal 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 in changes to the size and composition of the contributed equity and borrowings.

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.

Share-based payment arrangements

Equity-settled share-based payments to directors and employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in the share option reserve within equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

There are no share-based payment arrangements in place as at 30 June 2021.

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2021

	Notes	2021 ($)	2020 ($)
1. Income tax expense			
Net Profit Before Tax		501,303	2,401,414
Expected tax expense at 28%		**140,365**	**672,396**
Adjustments for non-deductible expenses and non-assessible income			
Other non-deductible expenses		1,191	1,512
Reinstatement of tax depreciation on commercial buildings		(19,297)	–
Prior period adjustment		67,361	–
Total Adjustments for non-deductible expenses and non-assessible income		**49,255**	**1,512**
Total tax expenses		**189,620**	**673,908**
Represented by:			
Current tax			
Current tax on profits for the year		–	–
Adjustment for current tax of prior periods		–	–
Total Current tax		–	–
Deferred Tax			
Origination and reversal of temporary differences		122,259	–
Adjustments for deferred tax of prior periods		67,361	673,908
Total Deferred Tax	8	**189,620**	**673,908**
Total Tax expense		**189,620**	**673,908**

	2021 ($)	2020 ($)
Tax loss		
Tax loss from previous years	20,344,224	20,480,905
Tax loss (utilised) for the year	3,861,033	(136,681)
Tax loss carried forward	**24,196,186**	**20,344,224**

Tax losses included in the table above have been recognised as deferred tax assets (Refer note 8).

Imputation credit account

Dividends paid by New Zealand resident companies may include imputation credits representing the taxation already paid by the Group on the profits distributed. New Zealand resident shareholders may claim a tax credit equal to the value of the imputation credit attached to the dividends. Overseas shareholders in general are not entitled to claim the benefit of imputation credits.

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

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2021

	2021 ($)	2020 ($)
2. Fees paid to auditor		
Audit of financial statements	51,376	59,500
Total Fees paid to auditor	**51,376**	**59,500**

	2021 ($)	2020 ($)
3. Employment expenses		
Wages and salaries	1,199,259	1,202,206
KiwiSaver Contributions	36,564	34,788
Temporary Staff Fees	81,015	3,075
Fringe Benefit Tax	20,188	23,028
Other employee benefits	13,104	13,342
Total Employment expenses	**1,350,130**	**1,276,439**

	2021 ($)	2020 ($)
4. Trade and other receivables		
Trade Debtors	1,823,102	1,171,280
Prepayments	148,055	124,997
Total Trade and other receivables	**1,971,158**	**1,296,277**

Of the trade debtors nil (Prior year: nil) relate to balances not received by their due date, and all remain current within 30 days (Prior year: all current within 30 days). The net carrying value of trade receivables is considered a reasonable approximation of fair value.

As at year-end, there is no impairment of the Group's trade debtors (Prior year: nil).

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2021

5. Property, plant and equipment

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

	Land $	Office equipment $	Buildings, plant & equipment $	Motor vehicles $	Foundations $	Electrical $	Roading $	Wind turbines $	TOTAL $
Cost:									
Balance at 1 July 2020	3,300,000	441,212	1,523,629	477,320	4,447,656	21,097,384	4,953,795	75,777,817	112,018,353
Additions	-	1,780	-	136	-	-	-	1,566,593	1,568,509
Disposals	-	-	-	-	-	-	-	(1,035,697)	(1,035,697)
Balance at 30 June 2021	**3,300,000**	**442,992**	**1,523,629**	**477,456**	**4,447,656**	**21,097,384**	**4,953,795**	**76,308,713**	**112,551,165**

	Land $	Office equipment $	Buildings, plant & equipment $	Motor vehicles $	Foundations $	Electrical $	Roading $	Wind turbines $	TOTAL $
Depreciation and impairment:									
Balance at 1 July 2020	-	434,267	822,841	329,386	2,703,304	8,601,037	3,102,389	54,981,204	70,974,429
Reversal of impairment	-	-	-	-	(114,943)	(372,797)	(132,656)	(2,351,962)	(2,972,359)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	(954,528)	(954,528)
Depreciation	-	7,350	58,337	48,630	45,258	313,442	69,749	2,214,468	2,757,234
Balance at 30 June 2021	**-**	**441,617**	**881,178**	**378,016**	**2,633,620**	**8,541,682**	**3,039,482**	**53,889,182**	**69,804,776**
Carrying amount at 30 June 2021	**3,300,000**	**1,375**	**641,991**	**99,440**	**1,814,036**	**12,555,702**	**1,914,313**	**22,414,531**	**42,746,389**

At 30 June 2021, the Group carried out a review of the carrying values of its assets in accordance with NZ IAS 36 - Impairment of Assets. Note 15 also provides further information.

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2021

	Land $	Office equipment $	Buildings, plant & equipment $	Motor vehicles $	Foundations $	Electrical $	Roading $	Wind turbines $	TOTAL $
Cost:									
Balance at 1 July 2019	3,300,000	435,848	1,512,000	477,320	4,496,000	21,097,384	4,953,795	76,744,890	113,017,237
Additions	-	5,364	11,169	-	-	-	-	1,038,203	1,054,736
Transfer to inventories	-	-	-	-	-	-	-	(12,000)	(12,000)
Disposals	-	-	-	-	(48,344)	-	-	(1,993,276)	(2,041,620)
Balance at 30 June 2020	**3,300,000**	**441,212**	**1,523,629**	**477,320**	**4,447,656**	**21,097,384**	**4,953,795**	**75,777,817**	**112,018,353**

	Land $	Office equipment $	Buildings, plant & equipment $	Motor vehicles $	Foundations $	Electrical $	Roading $	Wind turbines $	TOTAL $
Depreciation and impairment:									
Balance at 1 July 2019	-	420,234	756,922	279,219	2,685,769	8,328,783	3,032,640	54,632,369	70,135,936
Impairment	-	-	-	-	-	6,990	-	49,707	56,697
Accumulated depreciation on disposals	-	-	-	-	(29,384)	-	-	(1,612,697)	(1,642,080)
Depreciation		14,033	65,919	50,167	46,919	265,264	69,749	1,911,825	2,423,876
Balance at 30 June 2020	**-**	**434,267**	**822,841**	**329,386**	**2,703,304**	**8,601,037**	**3,102,389**	**54,981,204**	**70,974,429**
Carrying amount at 30 June 2020	**3,300,000**	**6,945**	**700,328**	**147,934**	**1,744,352**	**12,496,347**	**1,851,406**	**20,796,613**	**41,043,924**

At 30 June 2020, the Group carried out a review of the carrying values of its assets in accordance with NZ IAS 36 - Impairment of Assets. Note 15 also provides further information.

At 30 June 2020, the Board resolved to write off one decommissioned turbine and related foundation. A loss on disposal of $220,511 has been recognised in profit or loss, outside of $179,031 of other disposed assets. In addition, parts of the decommissioned turbines to the value of $12,000 have been transferred back into inventory as these are considered salvageable.

6. Intangible assets

Changes in the net carrying amount of intangible assets follow:

	Land use consent and wind rights $	Grid connection $	TOTAL $
Cost:			
Balance at 1 July 2020	1,737,360	5,522,157	7,259,517
Balance at 30 June 2021	**1,737,360**	**5,522,157**	**7,259,517**
Amortisation and impairment:			
Balance at 1 July 2020	358,849	3,516,968	3,875,817
Amortisation	42,138	249,203	291,341
Reversal of impairment	–	(157,948)	(157,948)
Balance at 30 June 2021	**400,987**	**3,608,673**	**4,009,660**
Carrying amount at 30 June 2021	**1,366,373**	**1,913,483**	**3,249,856**

At 30 June 2021, the Group carried out a review of the carrying values of its assets in accordance with NZ IAS 36 - Impairment of Assets. Note 15 provides further information.

	Land use consent and wind rights $	Grid connection $	TOTAL $
Cost:			
Balance at 1 July 2019	1,737,360	5,522,157	7,259,517
Balance at 30 June 2020	**1,737,360**	**5,522,157**	**7,259,517**
Amortisation and impairment:			
Balance at 1 July 2019	316,711	3,267,765	3,584,476
Amortisation	42,138	249,203	291,341
Balance at 30 June 2020	**358,849**	**3,516,968**	**3,875,817**
Carrying amount at 30 June 2020	**1,378,511**	**2,005,189**	**3,383,700**

7. Investment in subsidiaries

	2021	2020
NZWL - TRH Limited	100%	100%
TRH Services Limited	100%	100%

NZWL-TRH Limited and TRH Services Limited are both 100% owned subsidiaries of the Company. NZWL-TRH Limited holds the Group's interest in the Te Rere Hau wind farm. TRH Services Limited is responsible for the operations and maintenance of the turbines at the Te Rere Hau wind farm.

The Company's subsidiaries are incorporated in New Zealand and have a 30 June reporting date.

8. Deferred tax

The analysis of deferred tax assets and labilities is as follows:

	Notes	2021 ($)	2020 ($)
As at 30 June			
Deferred tax assets		6,858,099	5,788,448
Deferred tax liabilities		(4,154,243)	(2,891,081)
Deferred tax assets (net)		**2,703,857**	**2,897,367**

		2021 ($)	2020 ($)
Movement in temporary differences during the year			
Opening balance			
Property, plant and equipment		(2,845,791)	(2,212,910)
Right-of-use assets		(45,290)	–
Provisions		33,797	49,532
Lease liability		58,269	–
Losses		5,696,382	5,734,653
Tax assets/(liabilities)		**2,897,367**	**3,571,275**
Recognised in profit (loss)			
Property, plant and equipment		(1,266,906)	(632,881)
Right-of-use assets		3,740	(45,290)
Provisions		(1,558)	(15,735)
Lease liability		(3,445)	58,269
Losses		1,078,549	(38,271)
Movement in temporary differences	1	**(189,620)**	**(673,908)**
Recognised in equity			
Share options		(3,890)	–
Movement in temporary differences		**(3,890)**	**–**
Closing balance			
Property, plant and equipment		(4,112,697)	(2,845,791)
Right-of-use assets		(41,550)	(45,290)
Provisions		28,343	33,797
Lease liability		54,824	58,269
Losses		6,774,932	5,696,382
Tax assets/(liabilities)		**2,703,857**	**2,897,367**

Utilisation of the Group's recognised tax losses is considered probable as it is expected that sufficient tax profits will accrue in future periods. The ability to utilise the losses is also dependent on meeting certain Inland Revenue rules, including those in respect of shareholder continuity.

The tax depreciation applicable to the windfarm assets is significantly higher than the accounting depreciation in the early years of the project. This reflects the diminishing value method of depreciation applied for tax purposes. As this tax depreciation charge reduces over time, taxable profits are expected to be earned, as modelled in the impairment testing process.

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

	2021 ($)	2020 ($)
9. Trade and other payables		
Trade payables	1,110,586	703,121
Employee entitlements	121,671	168,708
Accruals	202,177	278,241
GST payable	202,593	96,823
Total Trade and other payables	**1,637,026**	**1,246,891**

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value. Trade payables are generally settled within 30 days.

10. Share capital

As at year-end share capital comprised 288,063,584 ordinary shares (Prior year: 288,063,584). There have been no shares issued or repurchased in the current or comparative year.

The shares are fully paid and have no par value. At 30 June 2021, paid up share capital amounted to $107,005,000 (Prior year:$107,005,000).

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

Dividends

The Directors declared and paid gross dividends of $3,600,797 during the current financial year, amounting to 1.25 cents per share. The dividends paid in the current financial year can be broken down as follows:

- $2,016,446 gross final dividend declared for the year ended 30 June 2020
- $1,152,255 gross dividend declared for the quarter ended 30 September 2020
- $432,096 gross interim dividend declared for the six months to 31 December 2020

(Prior year: Dividend of $4,753,053, amounting to 1.65 cents per share).

Employee Share Options

All share options previously issued have now expired and none were exercised.

Share based payments expenses for the year ended 30 June 2021 was $nil (Prior year: nil) and $13,894 options were forfeited in the year (Prior year: $70,166).

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2021

	Notes	2021 ($)	2020 ($)

11. Earnings and Net Tangible Assets per share

Earnings per share

Net profit for the year		311,683	1,727,506
Number of shares on issue over year	10	288,063,584	288,063,584
Number of share options with dilutive effect	10	–	2,560,000
Basic earnings per share		0.0011	0.0060
Diluted earnings per share		0.0011	0.0059

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

	Notes	2021 ($)	2020 ($)

Net tangible assets per share

Net assets		37,599,293	40,892,298
Less:			
Intangible assets	6	3,249,856	3,383,700
Deferred tax	8	2,703,857	2,897,367
Net tangible assets		**31,645,580**	**34,611,232**
Number of shares on issue over year	10	288,063,584	288,063,584
Net tangible assets per share		0.1099	0.1202

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

	Notes	2021 ($)	2020 ($)
12. Notes supporting the Statement of Cash Flows			
Net profit after tax		311,683	1,727,506
Non-cash items			
Depreciation of property, plant and equipment	5	2,757,234	2,423,876
Depreciation of right-of-use assets	18	13,356	13,362
Amortisation of intangible assets	6	291,341	291,341
Interest expense		46,420	85,988
Impairment of property, plant and equipment	5, 15	–	56,697
Reversal of impairment of property, plant and equipment	5, 15	(2,972,359)	–
Reversal of impairment of intangible assets	6, 15	(157,498)	–
Loss on disposal of property, plant and equipment	5	81,169	399,542
Unrealised loss/(gain) on derivatives	13	4,382,523	1,876,286
Provision for taxation	1	189,620	673,908
Total Non-cash items		**4,631,806**	**5,821,000**
Changes in working capital			
Trade and other payables		267,853	337,753
Inventories		361,817	(185,892)
Trade and other receivables		(674,881)	(69,010)
Total Changes in working capital		**(45,211)**	**82,851**
Net cash flow from operating activities		**4,898,278**	**7,631,357**

Significant non-cash transactions

Refer to notes 18 and 19 for details of non-cash transactions in the term loan liability and lease liability. Included in the BNZ loan, as outlined in note 19, is amortisation of borrowing costs of $15,271 (2020: $47,485), which is non-cash. Included in the lease liability, as outlined in note 18, is interest expense of $11,698 (2020: $12,372), which is non-cash.

13. Derivative Financial Instruments

Classification of Derivative Financial Instruments

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

The Group has not applied hedge accounting.

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

The energy future derivatives are valued using the forecasted generated volume (refer to note 15 - Output) and the wholesale electricity price paths from the ASX, as explained below.

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

	Level 1		Level 2		Level 3	
	2021 ($)	2020 ($)	2021 ($)	2020 ($)	2021 ($)	2020 ($)
Financial liabilities						
Derivative financial liabilities (fair value through profit or loss)	-	-	5,830,596	1,448,073	-	-

There have been no transfers between levels in the period.

Energy futures and contracts for differences

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

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

Interest rate swaps

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

The Company has entered into a $7.0 million IRS with Bank of New Zealand. This swap matches the repayment and maturity profile of the loan facility (2020 to 2023). The price of the IRS is 2.61%. The carrying value of the IRS at 30 June 2021 is $15,090 liability (Prior year: $76,949 liability). Refer to note 19 for information on the Term Loan.

	2021 ($)	2020($)
Results of the transactions with derivative financial instruments:		
Gain (Loss) on realised derivative financial instruments		
Interest swaps		
Net loss on realised interest swaps	(15,048)	–
Contracts for difference		
Net gain on realised contracts for difference	–	32,002
VVFPA		
Net (loss) gain realised on VVFPA	(5,895,586)	1,362,086
Total Gain (Loss) on realised derivative financial instruments	**(5,910,634)**	**1,394,088**

	2021 ($)	2020($)
Gain (loss) on unrealised derivative financial instruments		
Interest swaps		
Net gain (loss) on unrealised interest swaps	61,859	(76,949)
VVFPA		
Net (loss) gain unrealised on VVFPA	(4,444,382)	(1,799,337)
Total Gain (loss) on unrealised derivative financial instruments	**(4,382,523)**	**(1,876,286)**
Unrealised fair value derivative (liabilities) assets	**(5,830,596)**	**($1,448,073)**

The VVFPA has a maturity of 24 months (Prior year: 6 months). All other unrealised derivative financial instruments have a maturity of 24 months (Prior year: nil).

	2021 ($)	2020 ($)
14. Cash and cash equivalents		
Operating accounts	28,218	373,225
On call accounts	2,478,080	3,362,556
Total Cash and cash equivalents	**2,506,298**	**3,735,782**

On call accounts attract interest of 0.20% per annum (Prior year: 0.20%)

15. Te Rere Hau Wind Farm asset impairment

The Group has only one cash generating unit which is the Te Rere Hau wind farm. The 'value in use' method has been used to establish the recoverable value of the assets of the wind farm using a remaining life of thirty years from 30 June 2021 with no terminal value. The remaining life is based on the turbine manufacturers design life for the turbines and the Group's long term replacement strategy for the major turbine components. During the year ended 30 June 2021, the Group carried out a review of the carrying values of the assets in accordance with NZ IAS 36 - Impairment of Assets.

The value in use calculation indicated that there was a positive impairment adjustment of $3,129,857 for the year ended 30 June 2021 (Prior year: -$56,697). The reversal of impairment has been allocated to property plant and equipment and intangible assets (refer to Notes 5 and 6). The main driver of the reversal of impairment was electricity price due to ASX futures prices being significantly higher than prior year. The details of the key assumptions to the value in use method are set out below.

Electricity price

The wholesale electricity price forecasts are based on the latest PricewaterhouseCoopers (PwC) price path, as at 30 June 2021. All prices refer to the Otahuhu price node (OTA).

The Otahuhu node price is reduced by a location factor of 4.5% and an intermittency factor of 11% to estimate the Company's injection node price at Tararua Wind Central. These assumptions have remained consistent for some time but are still validated annually.

The PwC price path is based on the ASX futures curve until December 2024. The medium to long term price path to 2051 is based on assumptions regarding demand, Government policy, decarbonisation and supply. The forecast Long Run Marginal Cost (LRMC) for different generation technologies is weighted by their assumed contribution to supply. The base case price path assumes the Tiwai Point smelter continues to operate or is replaced by other industrial loads. The price path is updated by PwC annually.

Output

Output for the 2021 financial year was 110.5 GWh (Prior year: 118.4 GWh). The long term target is set at 117.2 GWh.

Operating costs and capital expenditure

The operating costs and capital expenditure in the model are derived from the FY2022 budget, which were based on current year actual costs. This is the best forward looking proxy for operating costs available to the Board.

Mid-life refurbishment

The model assumes a mid-life refurbishment of the turbines is performed when the fleet age is between 20 and 25 years, in 2031. This is assumed to allow the existing turbines to operate for a further twenty years up to age range of 40 and 45 years. A substantial part of the cost of the turbine is contained in the structural components such as the tower and blades. These components have an operational life in excess of fifty years. Conversely, experience has shown that other major components have operational lives that are less than the twenty year design life of the turbines and these components are being replaced progressively over time. The mid-life refurbishment has been costed out to renew the non-wear turbine components at around $201k per turbine in 2021 dollars, escalated to 2031 costs. This is consistent with the prior year methodology.

Future strategy

The above assumptions regarding output, operating costs, capital expenditure and mid-life refurbishment are being reviewed by the Board as part of its assessment of future strategic opportunities including repowering the wind farm. The results of this strategy update are expected to be reported within the 2021-22 financial year.

Land valuation

A salvage value for land has been included in the model.

Inflation

Inflation is based on the expected long-term Consumer Price Index. The current estimate is 2.00% (Prior year: 2.00%).

Discount rate

The pre-tax discount rate used in the impairment model is a weighted average cost of capital (WACC) of 8.18% (Prior year: 7.68%).

Sensitivity to changes in the assumptions

The assumptions set out above have resulted in the value in use in the impairment model indicating a positive impairment adjustment of $3,129,857 for the year ended 30 June 2021. However due to the thirty year time horizon (to FY51) and variability of the metrics upon which the key assumptions are based the valuation is sensitive to any change in the assumptions.

The following table shows the impact of a plus or minus 1% change in each of the key assumptions.

Assumption	Additional value (impairment) +1% movement $	Additional value (impairment) -1% movement $
Electricity price	1,148,912	(1,151,869)
Generation output	1,148,912	(1,151,869)
Operating costs	(513,856)	513,091
Capital expenditure	(260,529)	260,070
Mid-life refurbishment cost	(104,355)	104,355
Discount rate	(3,899,924)	4,726,121

16. Related party transactions

Key management

Key management personnel includes the Board of Directors, CEO and GM Operations. Key management personnel short term employee benefits, including remuneration to Directors, was $726,235 during the year (Prior year: $747,259).

Directors' remuneration

Directors' remuneration of $301,667 was paid and expensed during the year (Prior year: $298,757).

17. Capital commitments

The Group had $689,246 of capital commitments at year end for inventories and property, plant and equipment (Prior year:$801,391).

18. Right-of-Use Assets & Leases

	2021 ($)	2020 ($)
Right-of-Use Assets		
Wind right agreements		
Balance at the start of the reporting period	161,750	175,112
Depreciation	(13,356)	(13,362)
Balance at the end of the reporting period	**148,394**	**161,750**
Total Right-of-Use Assets	**148,394**	**161,750**

	2021 ($)	2020 ($)
Lease liabilities		
Wind right agreements		
Balance at the start of the reporting period	208,102	219,730
Interest expense	11,698	12,372
Lease payments	(24,000)	(24,000)
Balance at the end of the reporting period	**195,800**	**208,102**
Total Lease liabilities	**195,800**	**208,102**

	2021 ($)	2020 ($)
Lease liabilities are made up as follows:		
Current portion	13,015	12,302
Non-current portion	182,785	195,800
Total Lease liabilities	**195,800**	**208,102**

Refer to note 20 for undiscounted contractual maturity analysis of these lease liabilities.

	2021 ($)	2020 ($)
Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income:		
Interest charges for lease liabilities	11,698	12,372
Expense relating to leases of low-value (included in Lease and Rental Expenses)	4,409	3,164
Expense relating to variable lease payments not included in lease liabilities * (included in Lease and Rental Expenses)	72,319	38,741

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

19. Term loan

The group is financed to 2023 with Bank of New Zealand (BNZ). The loan is subject to normal competitive commercial interest terms and covenants, including interest cover and leverage ratios. The total cost of finance of the loan reflects the 90 day Bank Bill rate plus a margin. As 30 June 2021, the total cost of finance of the loan was the 90 day Bank Bill rate plus a margin, being 1.39% (Prior year: 1.54%).

At year-end the Company was compliant with all covenants. (Prior year: compliant with all covenants).

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

	2021 ($)	2020 ($)
Term Loan		
Balance as the start of the reporting period	9,892,479	10,816,670
Amortisation of borrowing costs	15,271	47,845
Interest expense	126,064	253,974
Loan repayments	(1,072,218)	(1,226,010)
Balance at the end of the reporting period	**8,961,596**	**9,892,479**

	2021 ($)	2020 ($)
Term loan is made up as follows:		
Current portion	946,154	946,154
Non-current portion	8,015,442	8,946,325
Total loan	**8,961,596**	**9,892,479**

20. Financial instruments and Risk management

The Group is exposed to a variety of financial, operating and investing risks. Key risks that affect the Group include:

Market electricity price risk

The Group sells electricity on the wholesale spot market. This market sets prices 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.

For any change in average electricity spot price there would be an equal and opposite impact on profit and equity. The sensitivity of changes in average electricity spot prices has an impact on the value in use calculation of the windfarm assets (refer to note 15).

The Company utilises a VVFPA, and previously, ASX futures and OTC CFD's as tools to manage this risk as discussed in note 13. The principal objective in using economic hedges is to baseline revenues by protecting against a collapse in the wholesale price. This helps the Company achieve reasonable separation between income and cost to operate.

A change in the average electricity spot price of $1 per MWh would lead to a $169,750 change in the unrealised energy futures derivative held at year-end (Prior year: $62,045).

As at 30 June 2021, the VVFPAs have resulted in a significant derivative financial liability. This reflects the current spot pricing and ASX future pricing compared to the fixed pricing established. The negotiated fixed pricing is above the Group's long term historical actual pricing.

The Company will still maintain economic hedges outside of the fixed price period. We will continue to balance risk and potential upside, but our principal objective is the baselining of revenues to ensure sustained profitability.

Concentration of credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

In the normal course of business, the Group incurs credit risk from transactions with financial institutions and other counterparties e.g. for the sale of electricity. 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 Group to credit risk consist of cash, funds on deposit and trade receivables.

The Group places its cash and funds on deposit with approved registered banks with minimum long-term Standard & Poor's credit rating of AA- 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 cash and cash equivalents and trade debtors recorded in the financial statements represents the Group's maximum exposure to credit risk.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 4.

Cash in bank

A significant amount of cash is held with the following institution:

		30 June 2021		30 June 2020
	Rating	Cash at bank ($)	Rating	Cash at bank ($)
Bank of New Zealand	AA-	2,506,298	AA-	3,735,782

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments of its debt instruments. It is the risk that the Group will encounter difficulty meeting its financial obligation associated with financial liabilities as they fall due.

Liquidity risk is monitored by continuously forecasting cash flows and matching them with the maturity profiles of financial assets and liabilities. The table below sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities, compared to the carrying value at reporting date.

	Up to 3 months $	Between 3 and 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	TOTAL $	Carrying value at reporting date $
Financial liabilities - 2021						
Trade and other payables	323,848	-	-	-	323,848	323,848
Lease liability	6,000	18,000	24,000	224,500	272,500	195,800
Term loan	267,688	798,148	8,154,581	-	9,220,417	8,961,596
Total	**597,536**	**816,148**	**8,178,581**	**224,500**	**9,816,765**	**9,481,244**

	Up to 3 months $	Between 3 and 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	TOTAL $	Carrying value at reporting date $
Financial liabilities - 2020						
Trade and other payables	446,948	-	-	-	446,948	446,048
Insurance premium finance	91,791	-	-	-	91,791	91,132
Lease liability	3,000	9,000	12,000	272,500	296,500	208,102
Term loan	274,625	818,409	1,078,463	8,117,910	10,289,407	9,892,479
Total	**816,364**	**827,409**	**1,090,463**	**8,390,410**	**11,124,646**	**10,637,761**

Interest rate risk

The Group's finance costs and operating cash flows are affected by changes in market interest rates. The Group has been exposed to interest rate risk as a result of external borrowings. The Group uses Interest Rate Swaps (IRS) to fix an agreed percentage of the interest costs of the Group. This stabilises the Group's debt servicing costs. However, for every dollar of debt protected against a potential rise in market interest rates, that same dollar is unable to take advantage of a potential fall in market interest rates.

An increase in the interest rates by 10 basis points would have increased finance costs by approximately $8,994 (Prior year:$9,892). For a decrease in interest rates by 10 basis points there would be an equal but opposite impact on profit and equity.

Capital management

The Group's capital structure includes share capital and retained earnings.

	Notes	Approximate Fair value 2021 ($)	Carrying value 2021 ($)	Approximate Fair value 2020 ($)	Carrying value 2020 ($)
Financial instrument classification					
Financial assets					
Assets at amortised cost					
Cash and cash equivalents	14	2,506,298	2,506,298	3,735,782	3,735,782
Trade and other receivables	4	1,823,102	1,823,102	1,171,280	1,171,280
Total Assets at amortised cost		**4,329,400**	**4,329,400**	**4,907,062**	**4,907,062**
Total Financial assets		**4,329,400**	**4,329,400**	**4,907,062**	**4,907,062**
Financial liabilities					
Liabilities at amortised cost					
Trade and other payables	9	323,848	323,848	446,948	446,948
Insurance Premium Finance		–	–	91,132	91,132
Lease liability	18	195,800	195,800	208,102	208,102
Term loan	19	8,961,596	8,961,596	9,892,479	9,892,479
Total Liabilities at amortised cost		**9,481,244**	**9,481,244**	**10,638,662**	**10,638,662**
Liabilities at fair value through profit or loss					
Derivative liability - VVFPA	13	5,830,596	5,830,596	1,448,073	1,448,073
Total Liabilities at fair value through profit or loss		**5,830,596**	**5,830,596**	**1,448,073**	**1,448,073**
Total Financial liabilities		**15,311,839**	**15,311,839**	**12,086,735**	**12,086,735**

21. Segment analysis

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

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

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

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

22. Significant events subsequent to reporting period end

The Directors resolved on 26 August 2021 to declare a final FY2021 dividend of 0.45 cents per share, amounting to $1,296,286, payable on 22 September 2021.

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

Refer to note 23 for information on the impact of COVID-19

23. COVID-19 impact

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NZ WINDFARMS LIMITED

Opinion

We have audited the consolidated financial statements of NZ Windfarms Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated balance sheet as at 30 June 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How The Matter Was Addressed in Our Audit
Te Rere Hau wind farm asset impairment	
The Group is required to assess at the end of each reporting period whether there is any indication that the wind farm assets may be impaired. If any such indications exist, the Group will estimate the recoverable amount of the assets. Management derives the recoverable amount from a value in use calculation. **We have identified the calculation of the recoverable amount as a significant risk to our audit as the key inputs and assumptions are subject to significant Management judgement and estimation uncertainty.** **Refer to Note 15 (Te Rere Hau Wind Farm asset impairment) of the financial statements.**	• We have held discussions with Management's valuation expert to understand the valuation methodology adopted. We have assessed the competence and objectivity of Management's valuation expert. • We have obtained Management's value in use calculation and have evaluated the key inputs and assumptions to consider if Management's calculation is within an appropriate range. These included future electricity prices, generation volumes, operating costs, capital expenditure (including mid-life refurbishment costs), inflation rate, discount rate, and useful life of the wind farm assets. • We have engaged our internal valuation experts to review the mechanics of the value in use calculation against valuation industry techniques,

	the discount rate used, and consider the process used to determine the future electricity pricing. • We have compared the carrying value of the assets to the recoverable amount determined by the impairment test to identify any impairment losses or reversals of previous impairment losses. The test identified a reversal of impairment of $3.1m for the year ended 30 June 2021, which has been recognised to profit or loss. • We have reviewed disclosures in the financial statements, including sensitivity analysis, to the requirements of the accounting standard.

Key Audit Matter	How The Matter Was Addressed in Our Audit
Recoverability of deferred tax asset	
The Group continues to recognise a deferred tax asset predominantly on tax losses carried forward. **The recoverability of the deferred tax asset involves judgement by Management about the probability of future taxable profits being sufficient to offset the tax losses.** **The Group prepares detailed forecasts for the taxable profits expected to be generated from the wind farm over its life. The key inputs and assumptions to the forecast are subject to significant Management judgement and estimation uncertainty, and the extent to which a deferred tax asset should be recognised on the losses is subject to Management judgement.** **Refer to Note 1 (income tax expense) and Note 8 (deferred tax) of the financial statements.**	• We have reviewed Management's deferred tax calculation and agreed the inputs to supporting documentation. • We have obtained Management's forecasts for taxable profits and critically evaluated the key inputs and assumptions. These included future electricity prices, generation volumes, operating costs, capital expenditure (including mid-life refurbishment costs), inflation rate, and useful life of the wind farm assets. • We have evaluated Management's assessment that there is a reasonable basis that the Group will be able to generate sufficient taxable profits to utilise the deferred tax asset recognised.

Other Information

The directors are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the

directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1.

This description forms part of our auditor's report.

Who we Report to

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

The engagement partner on the audit resulting in this independent auditor's report is Chris Neves.

BDO Auckland

BDO Auckland

Auckland

New Zealand

30 August 2021

Corporate Directory

NZ Windfarms Limited

For the year ended 30 June 2021

Directors

John Southworth (Chairman)
Patrick Brockie
Mark Evans
Christine Spring

Leadership Team

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

Registered Office

376 North Range Road
RD 1
Palmerston North 4471
T: +64 6 280 2773
E: info@nzwindfarms.co.nz

Share Registrar

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

Link Market Services Limited
Level 30, PwC Tower
15 Customs Street West
Auckland, 1010
T: +64 9 375 5998
E: enquiries@linkmarketservices.co.nz

Auditor

BDO Auckland
Level 4, Building A, BDO Centre
4 Graham Street
Auckland, 1010

Legal

Wynn Williams
Level 25, Vero Centre
48 Shortland Street
Auckland, 1010

NZ Windfarms Ltd

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