NZ WINDFARMS LIMITED

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

Contents

OVERVIEW

Welcome to the interim report for the six months to December 2018.

The first half of the current financial year has shown an acceptable performance for NZ Windfarms (NWF) and reflects the benefits of the transformational work achieved the previous year.

We have now over 12 months of operating under the dynamic curtailment regime that governs how the turbines run, essentially protecting them from high-wear turbulent wind conditions, but maximising the opportunities presented by variable spot price and wind conditions.

The hedging programme has now been in place for 18 months and we have maintained cover for a prudent portion of our generation portfolio within parameters agreed by the board. During the current six month period hedge contracts provided protection from low spot conditions in the first quarter. Unusually high spot prices in the second quarter created the situation where the settlement price on our hedges turned out to be lower than the spot prices received. This resulted in a loss on those hedges and, as a result our hedged portion of generation output received only the hedge price. We retain the benefit of higher income across the balance of output. Our hedging policy continues to provide a degree of insurance against low market pricing, however in times of high market pricing it limits the potential upside for the contracted volume of hedges.

The exceptional price rises and the implications on our cash flow have meant that the board has to take a conservative approach to paying dividends. We remain committed to paying dividends but only when we are confident that we are able to cope with the market volatility.

At the September AGM we announced a strategic review of the company and in October appointed First NZ Capital to assist with that review. Good progress has been made on that review and we aim to inform any outcomes to shareholders in due course.

HEALTH, SAFETY AND ENVIRONMENT

The company regards the promotion and maintenance of a collaborative Health and Safety working environment as a fundamental part of its business. Our HSE practices and performance remain strong. An internal audit was recently conducted by an independent consultant and the results of this audit support a positive HSE culture.

There were nil Lost Time Injuries (LTIs) occurring during the period, and one medical treatment injury.

FINANCIAL PERFORMANCE

The company achieved solid financial performance for the six months to 31 December 2018.

The company's profit before interest, tax, depreciation, amortisation, fair value movements of financial instruments and asset impairments (EBITDAF) was $2.1 million for the period (equivalent to the previous corresponding period – pcp $2.0 million).

Total gross revenues were $6.4m for the period (pcp $4.2m) and net revenue following losses on derivatives was $3.8m (pcp $4.0m). Total operating expenses were $2.1m for the period (pcp $2.2m).

HEDGING

Hedging has had a significant impact on the company's financial performance during the period.

The company began the financial period with a hedge portfolio consisting of wholesale electricity futures traded on the ASX futures market. As wholesale electricity prices rose during the period, and market volatility increased, the company was required to post cash deposits to cover the mark to market value of its hedge portfolio and increased margin requirements by the ASX. These deposits were required in advance of the company receiving the revenue for its generation produced in the corresponding period.

The size and timing of the margin calls posed a liquidity challenge for the company. The company responded to mitigate the risk of further margin calls beyond its liquidity capacity by exiting the ASX hedges and entering into an over the counter hedge with an industry counterparty for a similar volume and at a price near the ASX wholesale electricity market price at the time. This had the effect of limiting the company's exposure to any further margin calls but maintaining the hedge portfolio in a manner consistent with its original intentions. Even so, as long as we have futures in our hedge portfolio we must be able to meet the cash requirements of variation margins (mark to market calls) and the level of initial margin determined by ASX. This cash requirement and the exceptional conditions we are in must be taken into account when we are considering the timing and scale of dividend payments.

The ASX hedges exited during the period were 51 contracts in relation to the December 2018 quarter and 39 contracts in relation to the March 2019 quarter. For financial reporting purposes this had the effect of recognising the mark to market cost of the 39 March 2019 hedges ($540,000) as a component of the $2.2m realised loss on electricity derivatives during the current reporting period, whereas in the absence of the trade this movement would have been recognised as an unrealised loss on electricity derivatives.

The offsetting element of this situation is that the company now holds hedges for the March 2019 quarter at a much higher price than the previous ASX instruments, and the financial benefit of this will be reflected in the reporting of realised gains or losses on electricity derivatives during the second half of the financial year.

As a whole, the market situation has been positive for the company and this is reflected by the cash balance at the end of the period, and the use of electricity hedges remains a part of the company's strategy to mitigate the negative effect on earnings in periods of low prices. But the volatility in recent periods has also highlighted the potentially extreme liquidity requirements of hedging and the company is investigating methods to implement its hedging policy more efficiently and minimise the need for cash to be retained within the business to meet unknown liquidity requirements.

GENERATION REVENUE

The half year to date has been characterised by relatively low production, offset by strong pricing and variable hedging revenues. Total production was 52.9 GWh (pcp - 52.4GWh).

The weighted average wholesale market pricing received was $120.36/MWh of generated electricity. Much of the six month period was marked by lower than average wind conditions and therefore lower than expected production, however this was offset by higher than anticipated wholesale pricing across the unhedged portion of the output.

OPERATIONAL PERFORMANCE

Operational expenditure for the first half has been as expected, with a drop in failure rates of some key components, and an increase in others. The increased failure rates of gearboxes and generators was anticipated as the operating regime to maximise income by generating at higher prices led to higher usage in turbulent conditions than previous periods. At times of higher wholesale prices, the decision point to run is elevated (to capitalise on higher prices) and subsequently we do expect more key component failures in those market conditions.

A summary of the change in key component failure rates is presented in Table 1 below:

Table 1; Key component failure rates comparison

Key Component	6 months to December 2018 – failure rate	Pcp – 6 months to December 2017
Gearboxes	5	0
Pitch Bearings	6	12
Generators	2	0
Torque Limiting Pumps	16	12

We believe that the turbine platform and infrastructure remains robust, and when the turbine fleet is operated with the curtailment regime to minimise wear and damage in aggressive wind conditions, overall enhanced component life is being achieved. We are pleased by results from 3-axis curtailment however will continue to evaluate and adjust this regime to maximise net profit from operations.

We continue to manage our direct relationships with suppliers, with a focus on carrying lower spares inventory and minimising turbine maintenance costs.

Following the previous year efforts to address resource consent matters relating to noise issues, we are pleased to report that for the current period operating resource consent issues are now limited to minor curtailment refinements. We continue to work with neighbours to optimise our voluntary curtailment effectiveness

GOVERNANCE AND LEADERSHIP

Directors John Southworth and Rob Foster were re-elected to the Board at the 2018 AGM, and in December the Board appointed Toby Stevenson as an Independent Director.

Prior to the AGM Mr Rodger Kerr-Newall resigned from the Board and in December the company announced that John Worth would be stepping down as CEO. Rob Foster has been acting as Interim CEO since that announcement.

The Board thank Rodger and John Worth for their contribution to the company.

Further changes to governance and leadership are anticipated in the coming period.

CAPITAL MANAGEMENT AND DIVIDEND

Following the recent period of solid financial performance, the board is focussed on establishing a dividend on behalf of shareholders. There is currently no dividend policy in place and the Board is establishing that policy. In light of the cashflow impacts of the volatile wholesale electricity market the Board is also considering our funding requirements. The Board is committed to announcing the outcome of the dividend process in the near future.

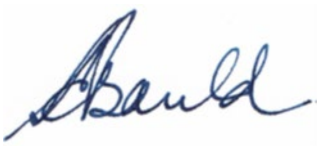
OUTLOOK

The company's exposure to the volatile wholesale electricity market remains our biggest business risk, especially when coupled with variable wind supply.

The strategic review we are currently undertaking is seeking to mitigate that risk and add value to shareholders. This may include a need to reduce exposure to the wholesale electricity market risk and diversify exposure to fuel sources. It may also conclude that another entity values the asset higher than the current shareholders do.

The end of the reporting period and into the new calendar year has seen elevated wholesale electricity prices which favour the company and position the company well for the current financial year. This market scenario has been created by low hydrology across New Zealand combined with short term gas supply constraints.

As supply constraints and hydrology normalises, the medium to long term outlook for the company as a single asset, merchant electricity exposed business remains unchanged.



Stuart Bauld
Chairman
28 February 2019

	Notes	6 months ended 31/12/2018 $000 (unaudited)	6 months ended 31/12/2017 $000 (unaudited)	Year ended 30/06/2018 $000 (audited)
Income				
Electricity sales		6,371	4,168	7,165
Gain/(Loss) on realised energy futures derivatives	**3**	(2,203)	(75)	346
Gain/(Loss) on unrealised energy futures derivatives	**3**	(408)	(227)	104
Land lease		14	-	27
Other income		-	99	40
Total income (excluding interest income)		**3,774**	**3,965**	**7,682**
Administration expenses		119	139	282
Audit fees		26	24	50
Directors' fees		101	90	179
Employment expenses		693	756	1,155
Payments to defined contribution plan		13	-	29
Share option expenses		-	-	139
Insurance		105	59	126
Lease and rental expenses		42	245	267
Legal and consulting expenses		357	325	228
Te Rere Hau wind farm operational expenses		593	491	1,088
Other operating expenses		59	100	186
Total operating expenses		**2,108**	**2,229**	**3,729**
Profit before interest, impairment, amortisation, depreciation, and tax		**1,666**	**1,736**	**3,953**
Interest income		19	69	200
Interest expense		(331)	(440)	(795)
Profit before impairment, amortisation, depreciation, and tax		**1,354**	**1,365**	**3,358**
Impairment of Te Rere Hau wind farm		**-**	-	-
Depreciation		1,189	1,152	2,226
Loss on disposal of property, plant and equipment		37	23	42
Amortisation		145	136	274
Loss on derecognition of finance lease		-	36	36
Loss on write-off of convertible notes		11	-	-
Profit before tax		**(28)**	**18**	**780**
Income tax expense (benefit)	**1**	**(8)**	5	15,527
Total comprehensive (loss)/income		**(20)**	**13**	**(14,747)**
Basic and diluted earnings/(loss) per share	**10**	**($0.00007)**	**$ 0.00005**	**($0.051)**

Profit (Loss) after tax for the period is equal to the total comprehensive income (loss) for the period attributable to equity holders of the parent.

These financial statements should be read in conjunction with the notes to the financial statements on pages 10 to 15.

	Notes	6 months ended 31/12/2018 $000 (unaudited)	6 months ended 31/12/2017 $000 (unaudited)	Year ended 30/06/2018 $000 (audited)
Assets				
Current assets				
Cash and cash equivalents		3,969	1,524	2,337
Trade and other receivables		1,065	1,163	854
Derivative asset		-	-	104
Inventories		1,029	972	1,174
Total current assets		**6,063**	**3,659**	**4,469**
Non-current assets				
Property, plant and equipment		43,714	45,733	44,615
Intangible assets		3,821	3,399	3,966
Convertible notes		-	11	11
Deferred tax		3,661	19,184	3,661
Total non-current assets		**51,196**	**68,327**	**52,253**
Total assets		**57,259**	**71,986**	**56,722**
Liabilities				
Current liabilities				
Trade and other payables		1,493	702	872
Current portion of BNZ term loan	**6**	946	946	946
Derivative liability	**4**	408	227	-
Total current liabilities		**2,847**	**1,875**	**1,818**
Non-current liabilities				
BNZ Term Loan	**6**	10,296	11,354	10,769
Total non-current liabilities		**10,296**	**11,354**	**10,769**
Equity				
Share capital		107,005	107,005	107,005
Share option reserve		139	-	139
Retained (loss)/earnings		(63,028)	(48,248)	(63,009)
Total Equity		**44,116**	**58,757**	**44,135**
Total equity and liabilities		**57,259**	**71,986**	**56,722**
Net tangible assets per share		**$0.13**	**$ 0.13**	**$ 0.13**

Signed for and on behalf of the Board as at 28 February 2019

Stuart Bauld
Chairman

Robert Foster
Director

These financial statements should be read in conjunction with the notes to the financial statements on pages 10 to 15.

	Notes	6 months ended 31/12/2018 $000 (unaudited)	6 months ended 31/12/2017 $000 (unaudited)	Year ended 30/06/2018 $000 (audited)
Equity at beginning of period		44,135	61,192	61,192
Total comprehensive income (loss) for the period		(20)	13	(14,747)
		44,116	61,205	46,445
Transactions with owners of the Company in their capacity as owners				
Dividend Paid		-	2,448	(2,449)
Share option reserve		-	-	139
Balance at 31 December 2018		**44,116**	**58,757**	**44,135**
Represented by:				
Share capital		107,005	107,005	107,005
Share option reserve		139	-	139
Retained earnings (loss)		(63,028)	(48,248)	(63,009)
Total equity		**44,116**	**58,757**	**44,135**

These financial statements should be read in conjunction with the notes to the financial statements on pages 10 to 15.

	Notes	6 months ended 31/12/2018 $000 (unaudited)	6 months ended 31/12/2017 $000 (unaudited)	Year ended 30/06/2018 $000 (audited)
Operating activities				
Cash was received from:				
Trading revenue		6,206	3,999	7,293
Derivatives		(1,434)	(75)	250
Interest received		43	200	307
Other income		14	99	112
		4,829	**4,223**	**7,962**
Cash was applied to:				
Interest paid		335	518	763
Payments to suppliers and employees		2,071	2,105	3,530
		2,406	**2,623**	**4,293**
Net cash inflow/(outflow) from operating activities	**2**	**2,423**	**1,600**	**3,669**
Investing activities				
Cash was provided from:				
Withdrawal of Term Deposit		-	6,500	6,500
Sale of property, plant & equipment		-	-	-
		-	**6,500**	**6,500**
Cash was applied to:				
Purchase of intangible assets		-	-	705
Purchase of property, plant and equipment		318	8,792	8,758
		318	**8,792**	**9,463**
Net cash (outflow) from investing activities		**(318)**	**(2,292)**	**(2,963)**
Financing activities				
Cash was provided from:				
Drawdown of BNZ borrowings		-	12,300	12,300
		-	**12,300**	**12,300**
Cash was applied to:				
Repayment of Finance lease		-	8,926	8,926
Repayment of BNZ Loan		473	-	585
Dividend Paid		-	2,449	2,449
		(473)	**11,375**	**11,960**
Net cash (outflow) from financing activities			**925**	**340**
Net (decrease) in cash and cash equivalents		1,632	233	1,046
Cash and cash equivalents, beginning of period		2,337	1,291	1,291
Cash and cash equivalents, end of period		**3,969**	**1,524**	**2,337**
Cash and cash equivalents				
Bank account and on call deposits		3,969	1,524	2,337
Cash and cash equivalents, end of period		**3,969**	**1,524**	**2,337**

These financial statements should be read in conjunction with the notes to the financial statements on pages 10 to 15.

REPORTING ENTITY AND STATUTORY BASE

NZ Windfarms Limited (the Company) is in the business of operating wind power generation assets for the purpose of generating and selling electricity. The Company operates solely within New Zealand.

NZ Windfarms Limited is a company registered under the Companies Act 1993 and Financial Market Conduct Act 2013 of New Zealand and listed on the New Zealand Exchange (NZX).

The condensed consolidated interim financial statements of NZ Windfarms Limited as at 31 December 2018 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 for-profit entity.

BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with the Financial Markets Conduct Act 2013 and prepared in accordance with and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit oriented entities. The Group financial statements comply with International Financial Reporting Standards (IFRS) and have been prepared on a going concern basis.

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

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

SEASONALITY

The electricity produced by the windfarm varies with seasonal wind conditions. While production volatility remains, at a revenue level this is offset by the use of derivative financial instruments.

MEASUREMENT BASE

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the condensed group interim financial statements are unchanged from the audited 30 June 2018 financial statements.

The condensed group interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these condensed consolidated group interim financial statements are to be read in conjunction with the 30 June 2018 financial statements.

New standards, interpretations and amendments effective from 1 July 2018

Two new financial reporting standards are applied for the first time in these condensed group interim financial statements.

<u>NZ IFRS 15 Revenues from Contracts with Customers</u>

NZ IFRS 15 provides a single, comprehensive principles-based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognise revenue when (or as) the entity satisfies a performance obligation.

The Group has undertaken an assessment of the impact of the standard and has determined that there is no material impact on the financial statements.

Revenue is generated on delivery to the national grid, which is governed by one contract (the Electricity Industry Participation Code). 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 at a point in time when control has transferred to the customer. This takes place when electricity is delivered to the national grid.

Based on the above, the Group has concluded the amount, timing, and profile of the Group's revenue recognition does not materially change upon the adoption, and retrospective application, of IFRS 15. As such, there are no adjustments to opening retained earnings upon transition.

NZ IFRS 9 Financial Instruments

The Group has conducted a review of the impact of changes under the new financial instrument standard. It was determined that there are no material changes to the way that the Group recognises and measures its financial instruments.

The Group previously classified its financial instruments as loans and receivables, liabilities at amortised cost, and derivative financial instruments as either assets at fair value through profit or loss or liabilities at fair value through profit or loss. Under the new accounting standard, the Group has classified its financial instruments as financial assets at amortised cost, financial liabilities at amortised cost, and derivative financial instruments as either assets at fair value through profit or loss or liabilities at fair value through profit or loss, respectively.

There have been no adjustments as a result of the classification.

1. INCOME TAX EXPENSE (BENEFIT)

	6 months ended 31/12/2018 $000 (unaudited)	6 months ended 31/12/2017 $000 (unaudited)	Year ended 30/06/2018 $000 (audited)
Profit/(Loss) for the period before tax	(28)	18	780
Expected tax expense (benefit) at 28%	(8)	5	218
Adjustment for non-deductible expenses and non-assessable income			
Derecognition of deferred tax (asset)/liability	-	-	(836)
Prior period adjustment	-	-	(104)
Forfeiture of tax losses	-	-	16,248
Other non-deductible expenses	-	-	1
	(20)	5	15,527
Represented by:			
Provision for taxation	(8)	5	15,527
Income tax (benefit)	**(8)**	**5**	**15,527**

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

2. RECONCILIATION OF PROFIT (LOSS) FOR THE PERIOD TO NET CASH FLOWS FROM OPERATIONS

	6 months ended 31/12/2018 $000 (unaudited)	31/12/2017 6 months ended $000 (unaudited)	30/06/2018 Year ended $000 (audited)
Net profit (loss)attributable to equity holders of the Company	(20)	13	(14,747)
Non-Cash Items:			
Depreciation	1,189	1,152	2,226
Amortisation of intangible assets	146	136	274
Loss from derecognition of finance lease	-	36	-
Change in fair value of financial instruments	512	227	(104)
Provision for taxation	(8)	5	15,527
Loss on disposal of assets	37	23	42
Loss on write-off of convertible notes	11		
Share option expenses	-	-	(139)
	1,867	1,592	3,079
Changes in working capital:			
Trade and other payables	621	(107)	230
Inventories	145	272	113
Trade and other receivables	(210)	(157)	(307)
Net cash flow from operating activities	**2,423**	**1,600**	**3,669**

3. DERIVATIVE FINANCIAL INSTRUMENTS

a) Classification of Derivative financial instruments

Derivatives, being interest rate swaps and 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. For information about the methods and assumptions used in determining the fair value of financial instruments please refer to note [4?].

The Group has not applied hedge accounting.

b) Energy futures and contracts for differences

The Company began trading electricity futures on 20 June 2017. Each contract is a standardised 'contract for difference' for the sale of 0.1MW of electricity into the NZ wholesale market at the Otahuhu or Benmore pricing node at a specified future date. They are openly traded on the Australian Securities Exchange (ASX). The company also trades in contracts for difference with gentailers, and these are typically traded as over the counter instruments.

On 9 October 2018 the Company converted 90 of its quarterly contracts into contracts for difference ('CFD') with a gentailer.

At 31 December the Company held 106 quarterly sale contracts from Q1 to Q3 2019 ranging in price from $81.75/MWh to $135/MWh, and 39 Q1 2019 contracts for difference at a price of $136.50. These are recognised as unrealised energy futures derivatives. These futures contracts had a mark to market value at the interim period ending 31 December 2018 of ($408k).

The results of the transactions solely related to derivative financial instruments to 31 December 2018 were as set out below. These should be read in conjunction with the respites against generation output during this exceptional period.:

	6 months ended 31/12/2018 $000 (unaudited)	**31/12/2017 6 months ended $000 (unaudited)**	**30/06/2018 Year ended $000 (audited)**
Energy futures			
Net gain/(loss) on realised energy futures derivatives	(41)	270	77
Contracts for Difference			
Net gain/(loss) on realised contracts for difference	(2,162)	(345)	269
Total gain on realised derivative financial instruments	**(2,203)**	**(75)**	**346**
Fair value gain/(loss) on unrealised energy futures derivatives and fair value derivative asset	(408)	(227)	104
Total gain/(loss) on energy futures derivatives	**(2,611)**	**(302)**	**450**

4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2018 on a recurring basis.

At 31 December 2018	Level 1 ('000)	Level 2 ('000)	Level 3 ('000)	Total ('000)
Liabilities				
ASX NZ Electricity Futures	(505)	-	-	**(505)**
Contracts for difference	-	97	-	**97**
Interest rate swaps	-	-	-	**-**
Total	**(505)**	**97**	**-**	**(408)**

The financial instruments are measured at fair value and are classified into one of three levels.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the group is the current bid price. ASX futures contracts are considered as Level 1 financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Direct contracts for difference with market participants are considered as Level 2 financial instruments.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. As at 31 December 2018 all were classified as level 1 or level 2 and there have been no transfers between the levels of hierarchy.

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- In case of energy futures: The use of quoted market prices for identical or similar instruments.
- The fair value of contracts for difference is determined using market prices for similar instruments.
- The fair value of interest rate swaps is calculated as the product of the difference between the contracted swap rate and the floating rate (BKBM) and the loan balance as at 31 December 2018.

c) The group also has a number of financial instruments, which are not measured at fair value in the balance sheet. For the majority of these instruments the fair values are not materially different to their carrying amounts.

5. CAPITAL COMMITMENTS

At 31 December 2018 the Group's capital commitments were $355,316 (30 June 2018 – $428,968), (31 December 2017 - $0).

6. BORROWINGS

In September 2017, the Company entered into a term loan facility to partially fund the purchase of the PowerCo transmission assets. The entire available amount, $12,300,000 under the facility has been drawn down.

The loan is subject to normal competitive commercial interest terms and a range of covenants, including interest cover and leverage ratios. The total cost of finance of the loan was 5.74% per annum.

As at 31 December 2018, the Company's assessment was that it is 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 Bank.

	6 months ended 31/12/2018 $000 (unaudited)	**31/12/2017 6 months ended $000 (unaudited)**	**30/06/2018 Year ended $000 (audited)**
Current portion	946	946	946
Non-current portion	10,059	11,354	10,769
Total loan	**11,005**	**12,300**	**11,715**

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The interim consolidated financial statements do not include all financial risk management information and disclosures and should be read in conjunction with the group's annual financial statements for the year ended 30 June 2018.

There have been no other significant changes in the financial risk management objectives and policies since 30 June 2018.

8. 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 carrying value of the assets of the wind farm using a remaining life of thirty-two years from 30 June 2018 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 2018, the Group carried out a review of the carrying values of the assets in accordance with NZ IAS 36 - Impairment of Assets and determined that there was no impairment of the assets (2017: reversal of impairment of $3,781,000). The group carried out a review of the carrying values of the assets in accordance with IAS 36 at the end of the reporting period. As the value in use calculation indicated an uplift of less than 1% of the carrying value of the assets the board determined no reversal of the impairment losses previously recognised was appropriate.

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

Management has not updated any of the impairment calculations to 31 December 2018. The company carries out a full value in use test annually at year end.

9. RELATED PARTY TRANSACTIONS

9.1. Key management

Key management personnel includes the Board of Directors and the CEO. Key management personnel short term employee benefits, including remuneration to Directors, was $251,038 during the six months ended 31 December 2018 (30 June 2018 - $451,000; 31 December 2017 - $218,750).

9.2. Directors' remuneration

Directors' remuneration of $101,038 was paid and expensed during the six months ended 31 December 2018 (30 June 2018 - $179,500; 31 December 2017 - $89,750).

There were no key related party shareholdings as at 31 December 2017.

10. EARNINGS PER SHARE

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

	6 months ended 31/12/2018 $000 (unaudited)	6 months ended 31/12/2017 $000 (unaudited)	Year ended 30/06/2018 $000 (audited)
Net profit (loss) for the year	(20)	13	(14,747)
Number of shares on issue over year	288,064	288,064	288,064
Basic and diluted earnings (loss) per share	**($0.00007)**	**$ 0.00005**	**($ 0.051)**

11. EVENTS SUBSEQUENT TO 31 DECEMBER 2018

There were no other significant evenst subsequent to 31 December 2018.

12. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Board of Directors and CEO, 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.

DIRECTORS

Stuart Bauld (Chairman)
John Southworth (Deputy Chair)
Rob Foster
Toby Stevenson

EXECUTIVE STAFF

Rob Foster – Acting Chief Executive Officer

REGISTERED OFFICE

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