

Interim Report

For the 6 months ended
31 December 2020



NZ Windfarms Ltd
POWERED BY NATURE

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Key Metrics

Total Revenue

\$6.9m

(HY20 \$7.0m)

Electricity Revenue (Including realised hedges)

\$5.4m

(HY20 \$7.0m)



EBITDAF¹

\$3.2m

(HY20 \$5.0m)

NPAT²

\$0.32m

(HY20 \$0.51m)



Generation

64.9GWh

(HY20 67.7GWh)

Net GWP³

\$83.09 per MWh

(HY20 \$103.50 per MWh)



Operating cashflow⁴

\$3.1m

(HY20 \$4.7m)

Debt repayment

\$0.47m

(HY20 \$0.47m)



H1 Average Mean Wind Speed

10.2 m/s

(HY20 10.0 m/s)

Dividend – paid 22 Sept 2020

0.70 cps

unimputed final FY20 dividend



Dividend – paid 31 Dec 2020

0.40 cps

unimputed dividend

Dividend (announced today) paid 9 Apr 2021

0.15 cps

unimputed interim dividend



1. EBITDAF - Earnings before interest, tax, depreciation, amortisation and fair value adjustments. EBITDAF is a non-GAAP financial measure. Any hedges that have been transacted or closed within the period that replicate future hedging positions are excluded. In NWF's case, EBITDAF excludes electricity hedges that relate to transactions that fall outside of the reporting period. The Company utilises EBITDAF internally to evaluate profit and loss that relates to the financial period.
2. NPAT = Net profit after tax. This is referred to as total comprehensive income in the financial statements.
3. Net GWP = Net generation weighted price = (electricity sales + gain on realised derivatives – loss on realised derivatives) / generation
4. Operating cashflow is referred to as net cash inflow (outflow) from operating activities in the financial statements.

Half Year Review

Highlights for the half year and affirmed guidance

NZ Windfarms Limited's (NZX: NWF) has met expectations for the half year and affirms guidance for the full year. Financial performance has been solid for the half year with EBITDAF of \$3.2m (HY20 \$5.0m) but down on the record set in the prior period.

The net electricity price received including the effect of realised hedging was \$83.09 MWh. Again this was down on the record set during the prior period \$103.50 MWh. Half year electricity generation was 64.9 GWh's down on the prior period 67.7GWh's but ahead of budgeted generation for the period.

Please refer to the investor presentation for the half year period which provides historic context to the financial and operational results. The half year revenue (including realised hedges), half year net electricity price, and half year EBITDAF, are the second highest in the Company's operating history.

The half year performance continues to reflect effective cost control, capital management and electricity price hedging through the company's variable volume fixed price agreement (VVFPA). Management also successfully worked through the COVID-19 lockdowns and were beneficiaries of above average generation conditions.

During the period the company successfully completed its second VVFPA. The VVFPA is for 100% of the company's production from 1 January 2021 to 31 December 2021. Terms for the agreement were agreed 19 October 2020, and commercial terms and documentation was executed 1 December 2020. As with the previous VVFPA this provides improved certainty for future revenue.

Clean and renewable energy

The company operates 92 turbines with a capacity of 46 MW, producing enough clean energy to power around 16,000 homes. This supports Aotearoa/New Zealand's climate change commitments and sustainability goals. As a comparison, to generate the same amount of energy as NWF's wind turbines, a gas-fired power station would emit roughly 64,000 tonnes of carbon dioxide, equivalent to 23,000 cars on the road.

Operational Performance

A continued focus on a disciplined approach to capital expenditure and cost management was a feature of the period.

The company continues to achieve continuous improvement across all areas of its operations, resulting in incremental gains in operating performance, especially with respect to supply chain management for maintenance and equipment replacement.

Availability remained at a good level during the period at 95.3% slightly above the OEM benchmark of 95.0%.

The company faced minimal disruption from COVID-19, due to not only an efficient response to lockdown operating conditions, but also a relatively quick bounce-back in the market following lockdown slowdowns.

Distributions

During the period under review, the company paid out its final unimputed dividend for FY20 of 0.70 cps on 22 September 2020.

Having held a cash buffer at financial year end until the latest VVFPA was finalised, the Board freed up this cash for a 0.40 cps unimputed dividend to shareholders, paid on 31 December 2020.

A formal dividend policy is being developed which, in tandem with our VVFPA, will provide greater surety in terms of outlook, EBITDAF guidance and future yield. The Board expects to announce its dividend policy later this year.

FY2021 EBITDAF guidance

The company remains on track to meet its 1 December 2020 guidance, following the execution of our VVFPA, of FY21 EBITDAF within a range of \$5.7m to \$6.3m.

Operating conditions over the last three months have been broadly on budget and as anticipated at the time of guidance, meaning there is no change to FY21 EBITDAF guidance at this time.

Strategic planning

Detailed work is being undertaken to determine the remaining operational lifespan of the company's main assets (WF500 turbines, transmission and electrical reticulation assets and roadways) and to what extent life extensions may be possible.

Although current turbine end of life is at the end of this decade – and there are options to extend turbine life – the company is beginning work to scope strategic planning for the coming years that will assess the optimal time to repower the fleet.

New technology options, including potentially fewer, larger turbines, with more generation potential, lower cash costs, and favourable cost of capital, may mean that an earlier investment option provides a higher return opportunity for the company. A repower option will be assessed against life extension options of the current WF500 turbine fleet. This work is on-going and may be some time before any feasibility studies are complete and conclusions can be drawn.

Board changes

During the period we farewelled Director Phil Lennon from the Board, following his retirement. The company is grateful for Phil's service to the Board and his contributions to governance and strategic matters.

Recently the Board announced that Christine Spring will join the Board from 1 March 2021 to fill the casual vacancy left by Phil Lennon. Christine is a professional director and civil engineer and currently sits on the Boards of Auckland International Airport, Unison (Hawkes Bay Lines Company), Western Sydney International Airport, and she is Chair of Isthmus Group Ltd. I would like to welcome Christine onto the Board and congratulate her on her appointment

Outlook

Our second half has begun on budget and broadly within expectation. Our VVFPAs means that future revenue becomes more predictable, and we will continue to work on continuous improvement across our operations to improve efficiency and maintain margins.

With the completion of the company's second VVFPAs, the company is advancing its strategy of becoming a reliable and transparent yield generator for our shareholders and other stakeholders and we are investigating repowering options that could occur before the end of the decade.

Recent announcements about the medium-term future of Tiwai point is pleasing as it firms medium term aggregate electricity demand, it enables industry to construct transmission infrastructure north and it allows stakeholders to consider viable alternatives for the Tiwai site and any surplus renewable electricity. We also recognise recent Government renewable energy policy commitments and endorse those.

We note that the ASX forward electricity price curve has lifted significantly and firmed across tenures. NWF is currently unhedged beyond 31 December 2021.

Condensed Consolidated Interim Statement of Comprehensive Income

NZ Windfarms Limited

For the 6 months ended 31 December 2020

	Notes	6 months ended 31/12/2020 (unaudited)	(Restated per note 18) 6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Income				
Electricity sales		6,841,885	6,289,724	10,136,354
Gain on realised derivatives	6	–	715,584	1,394,088
Land lease		15,750	13,500	27,000
Total Income		6,857,635	7,018,808	11,557,443
Operating expenses				
Administration expenses		100,201	95,858	185,125
Audit fees		18,815	41,390	59,500
Directors' fees		156,500	142,257	298,757
Employment expenses		640,031	637,185	1,276,439
Insurance		123,980	72,494	165,422
Lease and rental expenses		31,044	28,037	41,905
Legal and consulting expenses	1	214,602	142,828	285,903
Realised loss on derivatives	6	1,451,141	–	–
Unrealised loss on derivatives	6	1,005,679	2,690,615	1,876,286
Impairment of property, plant and equipment	1	–	–	56,697
Loss on disposal of property, plant and equipment		30,846	37,651	399,542
Te Rere Hau wind farm operational expenses	1	843,207	666,453	1,034,200
Other operating expenses		77,278	104,731	228,108
Total Operating expenses		4,693,324	4,659,499	5,907,882
Profit before interest, amortisation, depreciation and tax		2,164,311	2,359,309	5,649,560
Depreciation and amortisation				
Depreciation	4	1,425,735	1,210,367	2,437,238
Amortisation	5	145,671	145,671	291,341
Total Depreciation and amortisation		1,571,405	1,356,038	2,728,579
Profit before interest and tax		592,906	1,003,271	2,920,981
Interest				
Interest income		3,037	11,952	21,143
Interest expense on liabilities at amortised cost		(145,040)	(196,228)	(540,711)
Total Interest		(142,003)	(184,276)	(519,567)
Profit before tax		450,904	818,995	2,401,414

These condensed consolidated financial statements should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Comprehensive Income

NZ Windfarms Limited

For the 6 months ended 31 December 2020

	Notes	6 months ended 31/12/2020 (unaudited)	(Restated per note 18) 6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Income tax expense (benefit)				
Income tax expense (benefit)	2	127,607	227,794	673,908
Total Income tax expense (benefit)		127,607	227,794	673,908
Total comprehensive income		323,297	591,201	1,727,506

	Notes	6 months ended 31/12/2020 (unaudited)	(Restated per note 18) 6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Earnings per share				
Basic and diluted earnings/(loss) per share	13	0.00112231	0.00205233	0.00599696

These condensed consolidated financial statements should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Balance Sheet

NZ Windfarms Limited

For the 6 months ended 31 December 2020

	Notes	As at 31/12/2020 (unaudited)	As at 30/06/2020 (audited)
Assets			
Current Assets			
Cash and cash equivalents		2,578,744	3,735,782
Trade and other receivables		1,390,489	1,296,277
Inventories		1,054,364	1,260,177
Total Current Assets		5,023,597	6,292,236
Non-Current Assets			
Property, plant and equipment	4	40,447,412	41,043,924
Intangible assets	5	3,238,029	3,383,700
Deferred tax		2,769,760	2,897,367
Right-of-use assets	8	155,072	161,750
Total Non-Current Assets		46,610,272	47,486,740
Total Assets		51,633,870	53,778,976
Liabilities			
Current Liabilities			
Trade and other payables		1,481,572	1,246,891
Derivative liability	6	2,453,753	1,448,073
Insurance premium finance		–	91,132
Lease liabilities - current portion	8	13,660	12,302
Term loan - current portion	9	946,154	946,154
Total Current Liabilities		4,895,138	3,744,553
Non-Current Liabilities			
Lease liabilities - non-current portion	8	194,667	195,800
Term loan - non-current portion	9	8,497,171	8,946,325
Total Non-Current Liabilities		8,691,838	9,142,125
Total Liabilities		13,586,977	12,886,678
Net Assets		38,046,893	40,892,298
Equity			
Share capital		107,005,000	107,005,000
Retained earnings		(68,958,107)	(66,126,596)
Employee share option reserve		–	13,894
Total Equity		38,046,893	40,892,298

These condensed consolidated financial statements should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Changes in Equity

NZ Windfarms Limited

For the 6 months ended 31 December 2020

	Notes	6 months ended 31/12/2020 (unaudited)	(Restated per note 18) 6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Equity				
Share Capital				
Opening Balance		107,005,000	107,005,000	107,005,000
Closing Balance		107,005,000	107,005,000	107,005,000
Retained Earnings				
Opening Balance		(66,126,596)	(63,127,212)	(63,127,212)
Adjustment on initial application of NZ IFRS 16		–	(44,618)	(44,618)
Restated Opening Balance			(63,171,830)	(62,368,989)
Total comprehensive income (loss) for the period		323,297	591,201	1,727,506
Transactions with owners of the Company in their capacity as owners				
Employee share options forfeited		13,894	48,625	70,781
Dividends paid		(3,168,702)	(2,736,607)	(4,753,053)
Closing Balance		(68,958,107)	(65,268,611)	(66,126,596)
Employee share option reserve				
Opening Balance		13,894	84,675	84,675
Share options forfeited		(13,894)	(48,625)	(70,781)
Closing Balance		–	36,050	13,894
Total Equity		38,046,893	41,772,439	40,892,298

These condensed consolidated financial statements should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Cash Flows

NZ Windfarms Limited

For the 6 months ended 31 December 2020

	Notes	6 months ended 31/12/2020 (unaudited)	(Restated per note 18) 6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Consolidated Statement of Cash Flows				
Operating Activities				
Cash was received from:				
Trading revenue		6,661,064	6,289,765	10,126,051
Derivative gain realised		–	715,584	1,394,088
Interest received		3,037	11,952	21,143
Cash was applied to:				
Derivative loss realised		(1,451,141)	–	–
Payments to suppliers and employees		(1,975,959)	(2,097,275)	(3,407,357)
Interest paid		(111,694)	(196,228)	(502,568)
Net cash inflow from Operating Activities	3	3,125,307	4,723,798	7,631,357
Investing Activities				
Cash was applied to:				
Purchase of property, plant and equipment		(657,865)	(359,750)	(1,054,736)
Net cash outflow from Investing Activities		(657,865)	(359,750)	(1,054,736)
Financing Activities				
Cash was applied to:				
Repayment of lease liability		(6,624)	(5,814)	(11,628)
Repayment of BNZ loan	9	(449,154)	(473,077)	(924,191)
Dividend paid		(3,168,702)	(2,736,606)	(4,753,053)
Net cash outflow from Financing Activities		(3,624,480)	(3,215,497)	(5,688,872)
Net increase in cash and cash equivalents		(1,157,038)	1,148,551	887,749
Cash and cash equivalents, beginning of period		3,735,782	2,848,033	2,848,033
Cash and cash equivalents, end of period		2,578,744	3,996,584	3,735,782
Cash and cash equivalents				
Bank accounts and on call deposits		2,578,744	3,996,584	3,735,782
Cash and cash equivalents, end of period		2,578,744	3,996,584	3,735,782

These condensed consolidated financial statements should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

Reporting Entity And Statutory Base

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

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

Basis Of Preparation

These financial statements have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34 - Interim Financial Reporting ("NZ IAS 34"). In complying with NZ IAS 34, these statements comply with generally accepted accounting practice in New Zealand ("NZ GAAP").

These financial statements, including the accounting policies adopted, do not include all the information and disclosures required in the annual financial statements. These financial statements have been prepared using the same accounting policies as, and should be read in conjunction with, the Group's annual financial statements for the year ended 30 June 2020.

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

The preparation of financial statements requires judgements and estimates that impact the application of policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

Seasonality

The energy business operates in an environment that is dependent on weather as one of the key drivers of supply and demand. Fluctuations in seasonal weather patterns, particularly over the short-term, can have a positive or negative effect on financial performance. It is not possible to consistently predict this seasonality and some variability is common.

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the condensed group interim financial statements are unchanged from the audited 30 June 2020 financial statements.

The condensed group interim financial statements do not include notes of the type normally included in annual financial statements. Accordingly, these condensed consolidated group interim financial statements are to be read in conjunction with the 30 June 2020 financial statements.

Changes in accounting policies

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

1. Profit before tax

Included in Profit before tax are the following items:

	6 months ended 31/12/2020 (unaudited)	(Restated per note 18) 6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Profit before tax			
Legal and consulting expenses	214,602	142,828	285,903
Impairment of property, plant and equipment	–	–	56,697
Te Rere Hau wind farm operational expenses	843,207	666,453	1,034,200

The increase in consultancy and Te Rere Hau wind farm operational expenses was largely driven by the need for specialist assessment of plant & equipment useful life assumptions.

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 11 also provides further information. The value in use calculation indicated that there was an impairment of \$56,697 for the year ended 30 June 2020. An impairment expense of \$56,697 has been recognised in the Group's profit or loss for the year ended 30 June 2020.

The Board has not updated any of the impairment calculations to 31 December 2020. The Group carries out a full value in use test annually at year-end.

2. Income tax expense

Net Profit (Loss) Before Tax	450,904	818,995	2,401,414
Expected tax expense (benefit) at 28%	126,253	229,319	672,396
Adjustments for non-deductible expenses and non-assessible income			
Other non-deductible expenses	1,354	(1,525)	1,512
Total Adjustments for non-deductible expenses and non-assessible income	1,354	(1,525)	1,512
Total tax expenses (benefit)	127,607	227,794	673,908
Represented by:			
Current tax	–	–	–
Deferred tax	127,607	227,794	673,908
Total Tax expense (benefit)	127,607	227,794	673,908

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

	6 months ended 31/12/2020 (unaudited)	(Restated per note 18) 6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Net profit (loss) before tax	323,297	591,201	1,727,506
Non-cash items			
Depreciation	1,425,735	1,210,367	2,437,238
Amortisation of intangible assets	145,671	145,671	291,341
Interest expense	–	–	85,988
Impairment of property, plant and equipment	–	–	56,697
Loss on disposal of property, plant and equipment	30,217	105,211	399,542
Unrealised loss/(gain) on derivatives	1,005,680	2,690,616	1,876,286
Provision for taxation	127,607	227,794	673,908
Total Non-cash items	2,734,909	4,379,659	5,821,000
Changes in working capital			
Trade and other payables	(44,501)	23,155	337,753
Inventories	205,813	(51,161)	(185,892)
Trade and other receivables	(94,211)	(219,056)	(69,010)
Total Changes in working capital	67,101	(247,062)	82,851
Net cash flow from operating activities	3,125,307	4,723,798	7,631,357

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

4. Property, plant and equipment

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

	Land \$	Office equipment \$	Buildings, plant & equipment \$	Motor vehicles \$	Foundations \$	Electrical \$	Roading \$	Wind turbines \$	Leased assets \$	TOTAL \$
At 30 June 2020										
Cost	3,300,000	441,212	1,523,169	477,320	4,447,656	21,097,384	4,953,795	75,777,817	-	112,018,353
Accumulated depreciation on disposals	-	434,267	822,841	329,386	2,703,304	8,601,037	3,102,389	54,981,204	-	70,974,429
Carrying amount	3,300,000	6,945	700,328	147,934	1,744,352	12,496,347	1,851,406	20,796,613	-	41,043,924
Half-year Ended 31 December 2020										
Opening carrying amount	3,300,000	6,945	700,328	147,934	1,744,352	12,496,347	1,851,406	20,796,613	-	41,043,924
Additions	-	1,780	-	136	-	-	-	844,052	6,791	852,759
Disposals	-	-	-	-	-	-	-	(23,537)	-	(23,537)
Transfers	-	-	-	-	-	-	-	-	-	-
Depreciation	-	(5,712)	(30,183)	(25,070)	(22,705)	(156,601)	(34,875)	(1,149,910)	(679)	(1,425,735)
Closing carrying amount	3,300,000	3,013	670,145	123,000	1,721,647	12,339,746	1,816,531	20,467,218	6,112	40,447,412
At 31 December 2020										
Cost	3,300,000	442,992	1,523,169	477,456	4,447,656	21,097,384	4,953,795	76,021,376	6,791	112,270,619
Accumulated depreciation & impairment	-	(439,979)	(853,024)	(354,456)	(2,726,009)	(8,757,638)	(3,137,264)	(55,554,158)	(679)	(71,823,207)
Carrying amount	3,300,000	3,013	670,145	123,000	1,721,647	12,339,746	1,816,531	20,467,218	6,112	40,447,412

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

5. Intangible assets

	Land use consent and wind rights \$	Grid connection \$	TOTAL \$
At 30 June 2020			
Cost	1,737,360	5,522,157	7,259,517
Accumulated amortisation & impairment	358,849	3,516,968	3,875,817
Carrying amount	1,378,511	2,005,189	3,383,700
	Land use consent and wind rights \$	Grid connection \$	TOTAL \$
Half-Year Ended 31 December 2020			
Opening carrying amount	1,378,511	2,005,189	3,383,700
Amortisation	21,069	124,601	145,670
Closing carrying amount	1,357,442	1,880,588	3,238,030
At 31 December 2020			
Cost	1,737,360	5,522,157	7,259,517
Accumulated amortisation & impairment	379,918	3,641,569	4,021,487
Carrying amount	1,357,442	1,880,588	3,238,030

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

6. Derivative financial instruments

Classification of Derivative financial instruments

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

The Group has not applied hedge accounting.

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

The energy future derivatives are valued using the forecasted generated volume and the wholesale electricity price paths from the ASX, as explained below.

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

At 31 December 2019	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial liabilities				
Derivative financial liabilities (fair value through profit or loss)	-	2,262,403	-	2,262,403
At 30 June 2020	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial liabilities				
Derivative financial liabilities (fair value through profit or loss)	-	1,448,073	-	1,448,073
At 31 December 2020	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial liabilities				
Derivative financial liabilities (fair value through profit or loss)	-	2,453,753	-	2,453,753

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 all of the Company's generation between 1 October 2019 and 31 December 2020 was sold at a fixed price related to the Company's injection node (TWC2201). This agreement was reached with a major NZ based counter-party. A new VVFPA has been reached with a new NZ based counter-party effective 1 January 2021 and expires on 31 December 2021. Both the identity of the counter-parties and prices are commercially sensitive and remain confidential.

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 (could be Benmore as well). 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 31 December 2020 is \$55,010 liability (30 June 2020: \$76,949 liability). Refer to note 9 for information on the Term Loan.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

	6 months ended 31/12/2020 (unaudited)	6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Results of the transactions with derivative financial instruments:			
Gain (Loss) on realised derivative financial instruments			
Interest swaps			
Net loss realised on interest swaps	(4,876)	–	–
Contracts for difference			
Net gain realised on contracts for difference	–	–	32,002
VVFPAs			
Net gain (loss) realised on VVFPAs	(1,446,265)	715,584	1,362,086
Total Gain (Loss) on realised derivative financial instruments	(1,451,141)	715,584	1,394,088
Fair value (loss)/gain on unrealised fair value derivative liabilities	(1,005,679)	(2,690,615)	(1,876,286)
Total loss on derivative financial instruments	(2,456,821)	(1,975,031)	(482,198)

7. Capital commitments

The Group had \$528,848 of capital commitments as at 31 December 2020 (30 June 2020: \$801,391) for inventories and property, plant and equipment.

8. Leases

In the 2019 financial year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under NZ IAS 17 Leases. For adjustments recognised on adoption of NZ IFRS 16 on 1 July 2019, please refer to note 18.

	6 months ended 31/12/2020 (unaudited)	(Restated per note 18) 6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Right-of-Use Assets			
Wind right agreements			
Balance at the start of the reporting period	161,750	175,112	175,112
Depreciation	(6,678)	(6,681)	(13,362)
Balance at the end of the reporting period	155,072	168,431	161,750
Total Right-of-Use Assets	155,072	168,431	161,750

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

	6 months ended 31/12/2020 (unaudited)	(Restated per note 18) 6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Lease liabilities			
Wind right agreements			
Balance at the start of the reporting period	208,102	219,730	219,730
Interest expense	6,000	6,186	12,372
Lease payments	(12,000)	(12,000)	(24,000)
Balance at the end of the reporting period	202,102	213,916	208,102
Leased assets (refer to note 4)			
Balance at the start of the reporting period	–	–	–
Additions	6,791	–	–
Lease payments	(566)	–	–
Balance at the end of the reporting period	6,226	–	–
Total Lease liabilities	208,328	213,916	208,102

Lease liabilities are made up as follows:

Current portion	13,660	12,302	12,302
Non-current portion	194,667	201,614	195,800
Total Lease liabilities	208,328	213,916	208,102

Amounts recognised in the income statement:

Interest charges for lease liabilities	6,000	6,186	12,372
Expense relating to leases of low-value (included in Lease and rental expenses)	1,582	1,582	3,164
Expense relating to variable lease payments not included in lease liabilities * (included in Lease and rental expenses)	29,462	26,455	38,741

At 31 December 2020	Up to 3 months (\$)	Between 3 and 12 months (\$)	Between 1 and 2 years (\$)	Between 2 and 5 years (\$)	Over 5 years (\$)
Lease liabilities	3,437	10,639	30,267	49,763	114,222

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

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

9. Term loan

In the prior year the Company refinanced its lending for three years 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 at 31 December 2020 the Company's assessment was that it is compliant with all covenants, (30 June 2020: 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.

	6 months ended 31/12/2020 (unaudited)	6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Term Loan			
Current portion	946,154	10,343,593	946,154
Non-current portion	8,497,171	–	8,946,325
Total loan	9,443,325	10,343,593	9,892,479

10. Financial instruments and Risk management

The interim consolidated financial statements do not include all financial risk management information and disclosures and should be read in conjunction with the group's annual financial statements for the year ended 30 June 2020.

There have been no other significant changes in the financial risk management objectives and policies since 30 June 2020.

11. Te Rere Hau Wind Farm asset impairment

The Group has only one cash generating unit which is the Te Rere Hau wind farm. The 'value in use' method has been used to establish the recoverable value of the assets of the wind farm using a remaining life of thirty two years from 30 June 2020 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. The Group is currently reviewing the mid-life refurbishments and operating cost assumptions.

During the year ended 30 June 2020, the Group carried out a review of the carrying values of the assets in accordance with NZ IAS 36 - Impairment of Assets. A salvage value for land was included in the model. This was not included previously and has been identified as an omission in prior years. With the salvage value for land included in the model, the value in use calculation indicated that there was an impairment of \$56,697 for the year ended 30 June 2020. An impairment expense of \$56,697 was recognised in the Group's profit or loss for the year ended 30 June 2020.

The details of the key assumptions to the value in use method are salvage value, 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 2020. The company carries out a full value in use test annually at year end.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

12. Related party transactions

Key management personnel includes the Board of Directors, CEO and GM Operations. Key management personnel short term employee benefits, including remuneration to Directors, was \$367,751 during the reporting period ended 31 December 2020 (30 June 2020: \$747,259).

Directors' remuneration of \$156,500 was paid and expensed during the reporting period (30 June 2020: \$298,757).

13. Earnings and Net tangible assets per share

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

	6 months ended 31/12/2020 (unaudited)	(Restated per note 18) 6 months ended 31/12/2019 (unaudited)	Year ended 30/06/2020 (audited)
Earnings per share			
Net profit (loss) for the year	323,297	591,201	1,727,506
Number of shares on issue over year	288,063,584	288,063,584	288,063,584
Number of share options with dilutive effect	–	5,560,000	2,560,000
Basic earnings (loss) per share	0.00112231	0.00205233	0.00599696
Diluted earnings per share	0.00112231	0.00201347	0.00594413
Net tangible assets per share			
Net assets	38,046,893	41,772,439	40,892,298
Less:			
Intangible assets	3,238,029	3,529,370	3,383,700
Deferred tax	2,769,760	3,343,481	2,897,367
Net tangible assets	32,039,104	34,899,589	34,611,232
Number of shares on issue over year	288,063,584	288,063,584	288,063,584
Net tangible assets per share	0.11122233	0.12115238	0.12015136

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.

14. Significant events subsequent to reporting period end

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

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

15. Segment analysis

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

The NZ Windfarms Group operates in one segment, being the generation for sale of 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.

16. COVID-19 impact

Operational assets provide an 'essential service' and therefore have not been subject to lockdown restrictions. In addition, appropriate protective measurements 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 covered by a variable volume fixed price agreement with a new New Zealand based counterparty, producing stable 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.

17. Going concern

For the reporting period ending 31 December 2020, the Board remains of the opinion that the going concern assumption is appropriate.

As at 31 December 2020, the Group had a cash balance of \$2,578,774 and working capital of \$129,817.

The Group prepares revenue and cash flow forecasts which are reviewed and updated monthly. Based on these forecasts, the Group is expected to generate sufficient cash flow to ensure that there are sufficient funds available to pay debts as they fall due.

18. Restatement of 31 December 2019

During the 2020 year, the Board has identified that the land salvage value was previously excluded from impairment considerations and calculations (refer to note 11). With the inclusion of the salvage value for land in the model, the value in use calculation indicated a reversal of impairment of \$639,575 that related to prior periods. In the 2020 audited consolidated financial statements, this was recognised in the earliest presented balances of assets and equity, being 1 July 2018.

In addition to the above, as part of the initial adoption of NZ IFRS 16 Leases on 1 July 2019 as disclosed in the interim report for the 6 months ended 31 December 2019, the Group included variable lease payments as part of the amounts capitalised as right-of-use assets and lease liabilities. However, at year-end it was determined that these variable lease payments are exempted under NZ IFRS 16 and should be expensed as costs are incurred.

The effect of these restatements of the Group's results for 31 December 2019 is summarised below.

Notes to the Condensed Consolidated Interim Financial Statements

NZ Windfarms Limited

For the 6 months ended 31 December 2020

Impact On The Consolidated Statement Of Comprehensive Income For The Period Ended 31 December 2019 (\$)

Operating Expenses	
Operating expenses as previously stated	4,633,196
NZ IFRS 16 adoption adjustments	26,303
Restated Operating expenses	4,659,499
Depreciation	
Depreciation as previously stated	1,242,105
NZ IFRS 16 adoption adjustments	(31,738)
Restated Depreciation	1,210,367
Interest	
Interest as previously stated	188,254
NZ IFRS 16 adoption adjustments	(3,978)
Restated Interest	184,276

Impact On The Consolidated Balance Sheet as at 31 December 2019 (\$)

Non-current assets	
Property, plant and equipment	
Property, plant and equipment as previously stated	42,140,341
Reversal of impairment	639,575
NZ IFRS 16 adoption adjustments	(847,760)
Restated Property, plant and equipment	41,932,156
Right-of-use assets	
Right-of-use assets as previously stated (as was included with Property, plant and equipment)	-
NZ IFRS 16 adoption adjustments	168,431
Restated Right-of-use assets	168,431
Liabilities	
Leases	
Leases as previously stated	542,906
NZ IFRS 16 adoption adjustments	(328,990)
Restated Leases	213,916
Equity	
Retained earnings as previously stated	(65,557,847)
Reversal of impairment	639,575
NZ IFRS adoption adjustments	(350,339)
Restated Retained earnings	(65,268,611)

Basic earnings per share for the period ended 31 December 2019 has changed from \$0.00201965 per share to \$0.00205233 per share.

Diluted earnings per share for the period ended 31 December 2019 has changed from \$0.00200531 per share to \$0.00201347 per share.

Net tangible assets for the period ended 31 December 2019 has changed from \$0.12014831 per share to \$0.12115238 per share.

Directory

Directors

John Southworth (Chairman)

Patrick Brockie

Mark Evans

Philip Lennon (resigned effective 31 December 2020)

Leadership Team

Warren Koia (Chief Executive Officer)

Adam Radich (General Manager Operations)

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Share registry

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NZ Windfarms Ltd
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