Interim Report

NZ Windfarms Limited
For the 6 months ended 31 December 2019

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Half Year Review

NZ Windfarms Limited
For the 6 months ended 31 December 2019

Dear Shareholder

It is my pleasure to report on the Company's performance for the half year and to present to you the interim unaudited consolidated financial statements for the six month period ending 31 December 2019.

Key Metrics

- **Record Total Revenue: $7.0m** (2018: $6.4m)
- **Record EBITDAF[1]: $5.1m** (2018: $2.0m)
- **NPAT[2]: $0.58m** (2018: -$0.02m)
- **Generation: 67.7 GWh** (2018: 53.2 GWh)
- **Net GWP[3]: $103.50 per MWh** (2018: 78.33 per MWh)
- **Operating Cashflow[4]: $4.7m** (2018: $2.4m)
- **Debt repayment: $0.47m** (2018: $0.47m)
- **H1 Average Mean Wind Speed: 10.0 m/s** (2018: 9.3 m/s)
- **Dividend - 30 Sep 2019: 0.40 cps (unimputed)** (pcp: none)
- **Dividend – 31 Dec 2019: 0.70 cps (unimputed)** (pcp: none) (announced today)

Highlights for the half year

The Company has set new first half year records for revenue $7.0m (2018: $6.4m), and EBITDAF of $5.1m (2018: $2.0m).

Record revenue was driven by a combination of high wholesale and hedge price levels throughout the period and excellent generation conditions (H1 Average Mean Wind Speed: 10.0 m/s (2018: 9.3 m/s)) resulting in half year production of 67.7 GWh (2018: 53.2 GWh).

Costs were largely kept under control versus the prior period leading to record EBITDAF of $5.1m (2018: $2.0m). Interest costs are down reflecting historically low interest rates and the diminishing loan balance. This led to NPAT of $0.58m (2018: -$0.02m)

During the half year period NWF commenced hedging price risk under a variable volume fixed price agreement (VVFPA). This improves the Company's risk profile and simplifies hedging operations.

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1 EBITDAF - Earnings before interest, tax, depreciation, amortisation and financial instruments. 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 and profit (loss) after tax 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.

Operational Performance

A disciplined focus on capital expenditure and operations has resulted in the continuation of strong operating and financial performance.

The increased wind resource over the last six month period has resulted in good generation conditions, but additional run hours creates more faults, additional maintenance (some involving long lead time replacement components) and relatively fewer weather windows to carry out crane lifting and high access rope or platform operations. This has led to a slight decrease in availability for the period to 96.8% vs industry benchmark of 97.0%.

We continue to work with neighbours to optimise our voluntary curtailment effectiveness.

Capital Expenditure

The turbine platform and infrastructure is robust and enhanced component life is slowly being realised as a result of continuous improvement regimes.

We continue to manage our direct relationships with suppliers, with a focus on carrying lower inventory levels, reducing lead times on some component refurbishments, and minimising turbine maintenance costs.

Bank Funding

Subsequent to the reporting period, the Board refinanced the Company's lending for three years on improved terms with BNZ. This will lower the Company's cost of debt, improve its WACC, and continue to optimise its capital structure.

Net debt is $6.3m (2018: $7.3m) and net debt to H1 EBITDAF is 1.25 times (2018: 3.59 times).

Distributions

Over the past year, the Board has taken steps to transform the Company into a stable income producing asset for its shareholders. While this process is not complete, it is progressing positively.

Today the Board is pleased to announce a 0.70 cps unimputed dividend to be paid 19 March 2020. Details are included in the accompanying distribution notice.

The Board has paid a 0.40 cps unimputed dividend for the 30 September 2019 quarter (2018: nil).

This brings the total unimputed dividends paid related to the half year reporting period to 1.10 cps (2018: nil).

FY2020 EBITDAF Guidance

The Board previously announced an EBITDA[5] guidance range for the full year ending 30 June 2020.

To clarify, the actual metric should be EBITDAF, which strips out the impact of fair value movement in financial instruments that fall outside the reporting period. As an example, any unrealised marked to market gains or losses in financial instruments that are not related to the reporting period are excluded.

The revised guidance statement is for EBITDAF of between $7.0m and $7.5m for the full year ending 30 June 2020. Note the guidance range has been narrowed and focussed to the top end of the prior range. EBITDAF for the half year ended 31 December 2019 is $5.1m (2018: $2.0m).

Guidance is provided on the information that the Board has available to it at this time and is subject to variation due to climatic and other factors outside of NWF's control.

[5] EBITDA (non GAAP measure) is referred to as profit before interest, impairment, amortisation, depreciation and tax in the financial statements.

Clean and renewable energy

The Company has 92 turbines with a capacity of 46 MW producing enough clean energy to power about 16,000 homes. In comparison, 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.

Outlook

The second half of the financial year has commenced with a continuation of excellent generation conditions. All second half generation has been hedged to a fixed price. History shows there is seasonality in the wind resource with more generation in the first half of the financial year than the second half.

The Board will continue to maintain high health and safety standards and continue to seek value enhancing strategies for shareholders.

On behalf of the Board, I look forward to continuing to build on the solid first half and I wish to thank you for your ongoing support.

Warren Koia
Chief Executive

Consolidated Interim Statement of Comprehensive Income

NZ Windfarms Limited

For the 6 months ended 31 December 2019

	NOTES	6 MONTHS ENDED 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
Income				
Electricity Sales		6,289,724	6,370,785	12,183,848
Gain on unrealised derivatives	5	-	-	428,213
Gain on realised derivatives	5	715,584	-	-
Land lease		13,500	13,500	27,000
Total Income		**7,018,808**	**6,384,285**	**12,639,061**
Operating expenses				
Administration expenses		95,859	109,942	203,293
Audit Fees		41,390	25,500	52,840
Directors' Fees		142,257	101,038	211,146
Employment expenses		637,212	703,149	1,453,973
Insurance		72,494	73,606	161,212
Lease and rental expenses		1,582	43,271	80,418
Legal and consulting expenses		142,828	356,502	461,513
Realised loss on derivatives	5	-	2,202,195	3,804,180
Unrealised loss on derivatives	5	2,690,615	407,977	-
Loss on disposal of property, plant and equipment		37,651	47,829	540,472
Te Rere Hau wind farm operational expenses		666,453	588,595	1,178,189
Other operating expenses		104,855	105,367	223,119
Written off inventories		-	-	235,796
Total Operating expenses		**4,633,195**	**4,764,970**	**8,606,152**
Profit before interest, impairment, amortisation, depreciation and tax		**2,385,613**	**1,619,315**	**4,032,909**
Interest				
Interest income		12,693	19,338	33,259
Interest expense on liabilities at amortised cost		(200,947)	(330,729)	(683,530)
Total Interest		**(188,255)**	**(311,391)**	**(650,271)**
Profit before impairment, amortisation, depreciation and tax		**2,197,358**	**1,307,924**	**3,382,638**
Depreciation and amortisation				
Depreciation		1,242,105	1,189,379	2,373,886
Amortisation		145,671	145,671	291,341
Total Depreciation and amortisation		**1,387,776**	**1,335,050**	**2,665,228**
Profit before tax		**809,583**	**(27,126)**	**717,410**
Income tax expense (benefit)				

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

POWERED BY NATURE

Tax Expense	3	227,794	(7,595)	90,528
Total Income tax expense (benefit)		**227,794**	**(7,595)**	**90,528**
Total comprehensive income and Profit (Loss) after tax		**581,789**	**(19,531)**	**626,882**

	NOTES	6 MONTHS ENDED 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
Earnings per share				
Basic and diluted earnings/(loss) per share	11	0.0020	-0.0001	0.0022

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

Consolidated Interim Balance Sheet

NZ Windfarms Limited
As at 31 December 2019

	NOTES	AS AT 31/12/2019 (UNAUDITED)	AS AT 31/12/2018 (UNAUDITED)	AS AT 30/06/2019 (AUDITED)
Assets				
Current Assets				
Cash and Bank		3,996,584	3,969,449	2,848,033
Trade and Other Receivables		1,446,323	1,064,468	1,227,267
Derivative asset	5	-	-	428,213
Inventories		1,113,446	1,029,038	1,062,285
Total Current Assets		**6,556,354**	**6,062,956**	**5,565,797**
Non-Current Assets				
Property, Plant and Equipment		42,140,341	43,713,782	42,241,726
Intangibles		3,529,370	3,820,711	3,675,041
Deferred Tax		3,343,481	3,661,803	3,571,275
Total Non-Current Assets		**49,013,192**	**51,196,296**	**49,488,042**
Total Assets		**55,569,545**	**57,259,252**	**55,053,839**
Liabilities				
Current Liabilities				
Trade and Other Payables		666,970	1,493,169	914,871
Derivative liability	5	2,262,403	407,977	-
Insurance Premium Finance		270,470	-	-
Current Portion - Lease Liability	2	56,716	-	-
Current Portion - BNZ Term Loan	7	10,343,593	946,154	946,154
Total Current Liabilities		**13,600,152**	**2,847,299**	**1,861,025**
Non-Current Liabilities				
BNZ Term Loan	7	-	10,295,748	9,870,516
Lease Liability - Non Current Portion	2	486,190	-	-
Total Non-Current Liabilities		**486,190**	**10,295,748**	**9,870,516**
Total Liabilities		**14,086,342**	**13,143,047**	**11,731,541**
Net Assets		**41,483,203**	**44,116,205**	**43,322,298**
Equity				
Share Capital		107,005,000	107,005,000	107,005,000
Retained Earnings		(65,557,847)	(63,027,795)	(63,767,377)
Share option reserve		36,050	139,000	84,675
Total Equity		**41,483,203**	**44,116,205**	**43,322,298**

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

Consolidated Interim Statement of Changes in Equity

NZ Windfarms Limited
For the 6 months ended 31 December 2019

	NOTES	6 MONTHS ENDED 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
Equity				
Equity at beginning of period				
Equity at beginning of period as previously stated		43,322,298	44,135,736	44,135,736
Adjustment on initial application of NZ IFRS 16	2	315,722	-	-
Restated Equity at beginning of period		**43,638,020**	**44,135,736**	**44,135,736**
Total comprehensive income (loss) for the period		581,789	(19,531)	626,882
Transactions with owners of the Company in their capacity as owners				
Dividends paid		(2,736,606)	-	(1,440,320)
Balance as at end of reporting period		**41,483,203**	**44,116,205**	**43,322,298**

	NOTES	6 MONTHS ENDED 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
Represented by:				
Share capital		107,005,000	107,005,000	107,005,000
Share option reserve		36,050	139,000	84,675
Retained earnings		(65,557,847)	(63,027,795)	(63,767,377)
Total Equity		**41,483,203**	**44,116,205**	**43,322,298**

Consolidated Interim Statement of Cash Flows

NZ Windfarms Limited

For the 6 months ended 31 December 2019

	NOTES	6 MONTHS ENDED 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
Consolidated Statement of Cash Flows				
Operating Activities				
Cash was received from:				
Trading revenue		6,600,874	6,206,179	11,838,000
Derivatives		216,686	(1,434,016)	(3,700,577)
Interest received		12,693	42,920	33,259
Other income		13,500	13,500	-
Cash was applied to:				
Payments to suppliers and employees		(1,926,149)	(2,069,844)	(4,252,677)
Interest paid		(210,213)	(334,629)	(536,000)
Net cash inflow/(outflow) from Operating Activities		**4,707,391**	**2,424,110**	**3,382,005**
Investing Activities				
Cash was applied to:				
Purchase of property, plant and equipment		(292,091)	(318,448)	(832,942)
Net cash inflow/(outflow) from Investing Activities		**(292,091)**	**(318,448)**	**(832,942)**
Financing Activities				
Cash was applied to:				
Repayment of Lease Liability	2	(27,550)	-	-
Repayment of Insurance Premium Finance		(29,515)	-	-
Repayment of BNZ loan	7	(473,077)	(473,076)	(946,000)
Dividend paid		(2,736,607)	-	(1,092,894)
Net cash inflow/(outflow) from Financing Activities		**(3,266,749)**	**(473,076)**	**(2,038,894)**
Net increase/(decrease) in cash and cash equivalents		1,148,551	1,632,586	510,169
Cash and cash equivalents, beginning of period		2,848,033	2,336,864	2,337,864
Cash and cash equivalents, end of period		3,996,584	3,969,450	2,848,033

	NOTES	6 MONTHS ENDED 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
Cash and cash equivalents				
Bank accounts and on call deposits		3,996,584	3,969,449	2,848,033
Cash and cash equivalents, end of period		**3,996,584**	**3,969,449**	**2,848,033**

Notes to the Interim Consolidated Financial Statements

NZ Windfarms Limited
For the 6 months ended 31 December 2019

1. Accounting Policies

a. Reporting entity
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 summary consolidated interim financial statements (the "Group financial statements") are for NZ Windfarms Limited Group ("Group"). The Group financial statements comprise the Company and its subsidiaries - NZWL-TRH Limited and TRH Services Limited.

b. Basis of preparation
The Group 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 Group financial statements, including the accounting policies adopted, do not include all the information and disclosures required in the annual financial statements. Except as described below in (d) adoption of new accounting policies, the Group 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 2019.

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.

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.

c. Leases
The Group has applied NZ IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under NZ IAS 17. The details of accounting policies under NZ IAS 17 are disclosed separately if they are different from those under NZ IFRS 16 and the impact of changes is disclosed in Note 2.

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either: a) the Group has the right to operate the asset; or b) the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or change, on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise variable lease payments that depend on an index or a rate, initially measured using the index or rate as at 1 July 2019.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 July 2019

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

Operating lease payments, where the lessors effectively retain substantially all of the risks and benefits of ownership of the leased items, are included in the determination of net profit/(loss) in equal instalments over the period of the lease.

d. Adoption of new accounting policies

The Group has adopted new international financial reporting standards relating to Leases (NZ IFRS 16) for the reporting period ending 31 December 2019.

The impact of the adoption of NZ IFRS 16 and the new accounting policies are disclosed in note 2 below.

e. 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 or 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.

2. Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

NZ IFRS 16 *Leases*
The Group has applied NZ IFRS 16 with a date of initial application of 1 July 2019 and comparatives have not been restated. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group has applied NZ IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. The details of the changes in accounting policies are disclosed below.

a. Definition of a lease
On transition to NZ IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied NZ IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under NZ IAS 17 were not reassessed for whether there is a lease. Therefore, the definition of a lease under NZ IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

b. As a lessee
As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under NZ IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet. The Group decided to apply recognition exemptions to low-value leases and short-term leases.

Leases classified as operating leases under NZ IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

- their carrying amount as if NZ IFRS 16 has been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application - the Group applied this approach to its land leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - which was nil.

The Group used the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17 - applied a single discount rate to a portfolio of leases with similar characteristics.

c. Impacts on financial statements
The Group is party to four wind rights agreements for the Te Rere Hau Wind Farm Eastern Extension. The landowners own the land on which 32 installed turbines are located. Under the agreements, in return for the wind farm wind rights, the Group pays the landowners lease payments based on electricity output and electricity revenue generated from the 32 turbines located on the land.

On transition to NZ IFRS 16 at 1 July 2019, the Group recognised an additional $886,178 of right-of-use assets (net book value) and $570,456 of lease liabilities, recognising the difference in retained earnings.

When measuring the lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019.

The aggregate lease liability recognised in the statement of financial position as at 1 July 2019 and the Group's operating commitment at 30 June 2019 can be reconciled as follows:

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Operating lease commitment at 1 July 2019	955,889
Adjustment for changes in lease payments due to fluctuating electricity prices	(69,711)
Effect of discounting lease commitments	(315,722)
Lease liability recognised at 1 July 2019	570,456

	6 MONTHS ENDED 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
3. Income Tax Expense			
Net Profit (Loss) Before Tax	809,583	(27,126)	717,410
Expected tax expense (benefit) at 28%	226,683	(7,595)	200,875
Adjustments for non-deductible expenses and non-assessible income			
Other non-deductible expenses	1,111	-	(11,000)
Prior period adjustment	-	-	(98,448)
Total Adjustments for non-deductible expenses and non-assessible income	**1,111**	**-**	**(109,448)**
Total tax expenses (benefit)	227,794	(7,595)	91,426
Represented by:			
Current tax	-	-	-
Deferred tax	227,794	(7,595)	91,426
Total Tax expense (benefit)	**227,794**	**(7,595)**	**91,426**

Tax losses included in the table above have been recognised as deferred tax assets.

	6 MONTHS ENDED 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
4. Notes supporting the Statement of Cash Flows			
Net profit (loss) before tax	809,583	(27,126)	717,410
Non-cash items			
Depreciation	1,242,005	1,189,379	2,373,536
Amortisation of intangible assets	145,671	145,671	291,341
Written off inventories	-	-	235,796
Interest expense	-	-	148,713
Loss on disposal of property, plant and equipment	37,651	47,829	580,674
Unrealised loss/(gain) on derivatives	2,288,533	511,580	(428,213)
Write off convertible notes	-	-	11,000
Provision for taxation	227,794	7,595	90,528
Total Non-cash items	**3,941,654**	**1,902,054**	**3,303,375**
Changes in working capital			
Trade and other payables	226,371	614,503	(377,413)
Inventories	(51,161)	145,139	111,892
Trade and other receivables	(219,056)	(210,460)	(373,258)
Total Changes in working capital	**(43,846)**	**549,182**	**(638,779)**
Net cash flow from operating activities	4,707,391	2,424,110	3,382,005

5. 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 wholesale electricity price paths from the ASX, as explained below.

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 to 31 December 2020 will be sold at a fixed price related to the Company's injection node (TWC2201). This agreement has been reached with a major NZ based counter-party. Both the identity of the counter-party and price 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.

The results of the transactions with derivative financial instruments were as follows:

	6 MONTHS ENDED 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
(Loss) Gain on energy futures derivatives			
Total (loss) gain on realised derivative financial instruments	715,584	(2,202,195)	(3,804,180)
Fair value (loss)/gain on unrealised energy futures derivatives and fair value derivative assets	(2,690,615)	(407,977)	428,213
Total (Loss) Gain on energy futures derivatives	**(1,975,031)**	**(2,610,172)**	**(3,375,967)**

6. Capital commitments

The Group had $502,053 of capital commitments as at 31 December 2019 (30 June 2019: $153,879) for inventories and property, plant and equipment.

7. Term loan

Subsequent to the reporting period, the Board refinanced the Company's lending for three years on improved terms with BNZ.

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 reflects the 90 day Bank Bill rate plus a margin.

As at 31 December 2019 the Company's assessment was that it is compliant with all covenants. (30 June 2019: 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 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
Term Loan			
Current portion	10,343,593	946,154	946,154
Non-current portion	-	10,295,748	9,870,516
Total Term Loan	**10,343,593**	**11,241,902**	**10,816,670**

8. 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 2019.

There have been no other significant changes in the financial risk management objectives and policies since 30 June 2019, other than Company entering into a variable volume fixed price agreement with a major NZ-based counterparty - refer to note 5.

9. 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 2019 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 2019, 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 required (2018: no impairment of assets).

The value in use calculation indicated an impairment of less than 1% of the carrying value of the assets and as such the Board determined that no impairment would be required.

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 2019. The company carries out a full value in use test annually at year end.

10. 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 $389,158 during the reporting period ended 31 December 2019 (30 June 2019: $742,488).

Directors' remuneration of $142,257 was paid and expensed during the reporting period (30 June 2019: $211,146).

11. 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 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
Earnings per share			
Net profit (loss) for the year	581,789	(19,531)	626,882
Number of shares on issue over year	288,063,684	288,063,684	288,063,684
Number of share options with dilutive effect	2,060,000	-	17,060,000
Basic earnings (loss) per share	0.0020	-0.0001	0.0022
Diluted earnings per share	0.0020	-	0.0021

	6 MONTHS ENDED 31/12/2019 (UNAUDITED)	6 MONTHS ENDED 31/12/2018 (UNAUDITED)	YEAR ENDED 30/06/2019 (AUDITED)
Net tangible assets per share			
Net assets			
Net assets	41,483,203	44,116,205	43,322,298
Total Net assets	**41,483,203**	**44,116,205**	**43,322,298**
Less:			
Intangible assets	3,529,370	3,820,711	3,675,041
Deferred Tax	3,343,481	3,661,803	3,571,275
Net tangible assets	34,610,352	36,633,691	36,075,983
Number of shares on issue over year	288,063,584	288,063,584	288,063,584
Net tangible assets per share	0.1201	0.1272	0.1252

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.

12. Significant events subsequent to reporting period end

Subsequent to the reporting period, the Board refinanced the Company's lending for three years on improved terms with BNZ.

The Board resolved on 28 February 2020 to declare an unimputed dividend of 0.70 cents per share payable on 19 March 2020.

(30 June 2019: The Company announced on 24 July 2019 that it intends to undertake an on-market share buy-back programme to purchase up to 5% (14,403,179 shares) of its total ordinary shares on issue. Under the share buy-back programme the Company will acquire shares on the NZX Main Board. Shares may be acquired from 25 July 2019 until 30 June 2020 and all shares acquired will be cancelled, and the number of shares on issue reduced accordingly. The Company will only buy shares through NZX's order-matching market during normal trading hours (i.e. there will be no off-market transactions). We will keep shareholders fully informed of material information and monitor compliance with its various information disclosure requirements throughout the buyback period.

The Company announced on 29 July 2019 that it has agreed the terms of a variable production quarterly fixed price agreement for 100% of its production from 1 October 2019 to 31 December 2020. This agreement has been reached with a major NZ-based counterparty. Both the identity of the counterparty and price are commercially sensitive and remain confidential.

The Directors resolved on 23 August 2019 to declare a final FY2019 dividend of 0.55 cents per share and a quarterly FY2020 dividend of 0.40 cents per share, which were payable on 23 September 2019 and 1 October 2019 respectively.)

13. 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, 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.

14. Reclassification of comparatives

Certain comparatives have been reclassified to confirm to current period presentation. These reclassifications have had no material impact on the net results of the Group.

15. Going concern

As at the end of the reporting period, the Group's current liabilities exceeded its current assets by $7,043,798. This is due to the BNZ term loan moving within 12 months of its end date as at 31 December 2019. Subsequent to the reporting period, the Board refinanced the Company's lending for three years on improved terms with BNZ.

Therefore, on the above basis, the Board remains of the opinion that the going concern assumption is appropriate.

Directory

NZ Windfarms Limited
For the 6 months ended 31 December 2019

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Patrick Brockie
Philip Lennon
Mark Evans

Leadership Team

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

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