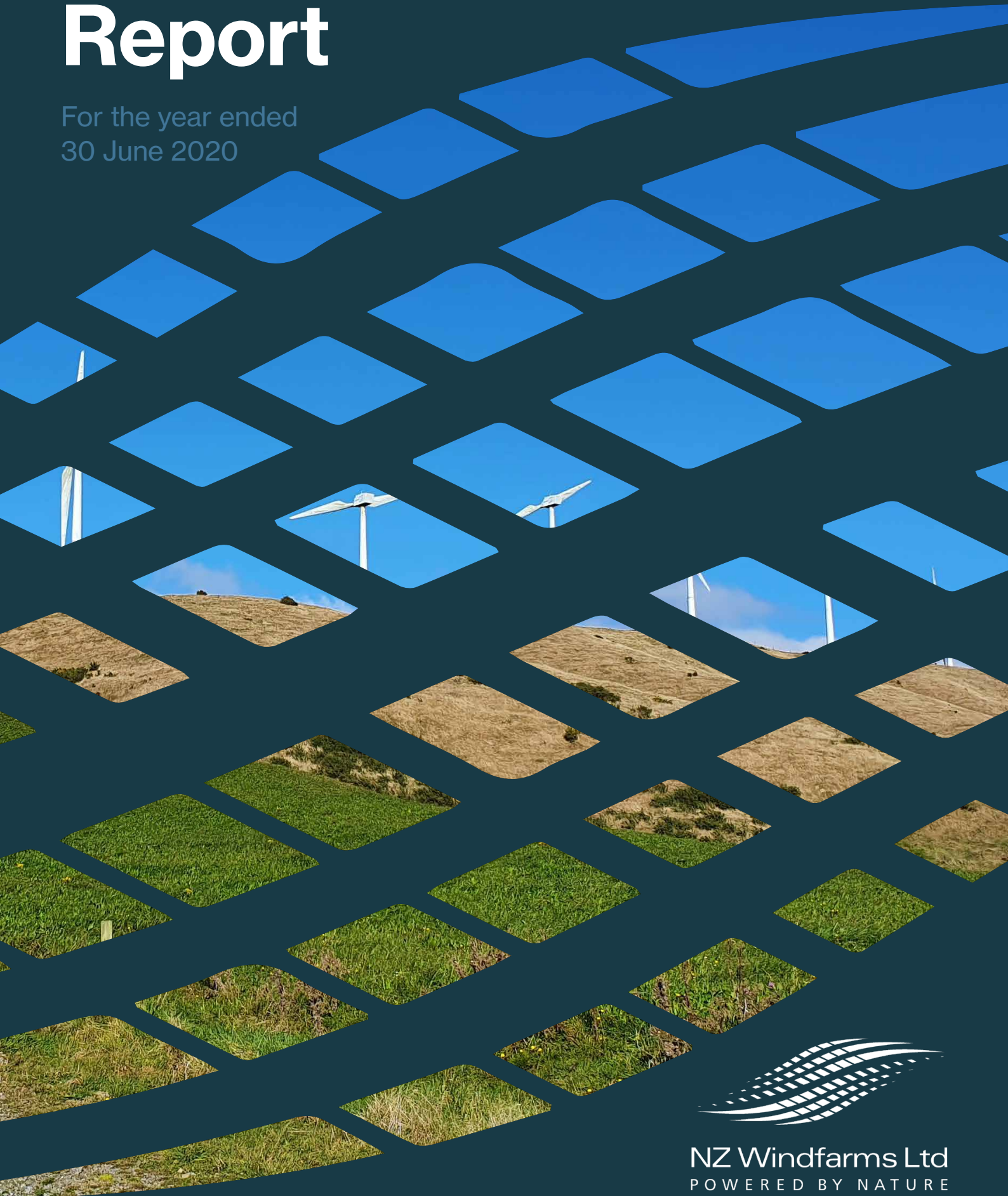


Annual Report

For the year ended
30 June 2020



NZ Windfarms Ltd
POWERED BY NATURE

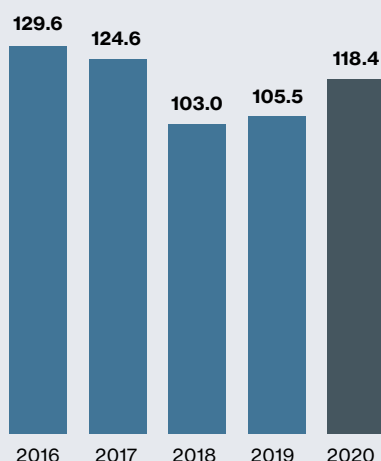
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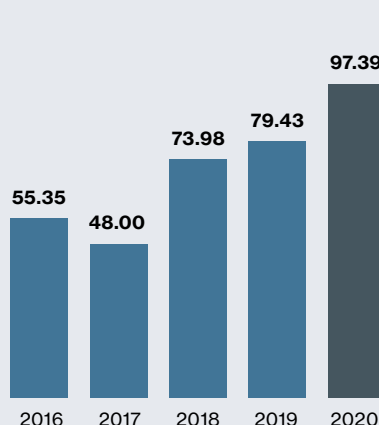


Financial Overview

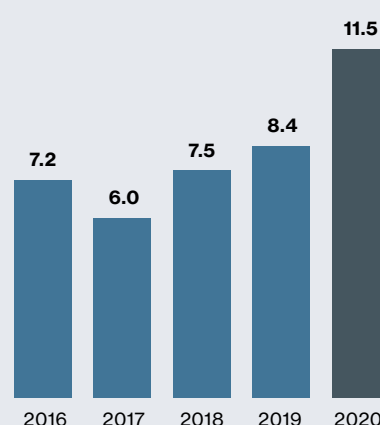
GENERATION (GWH)



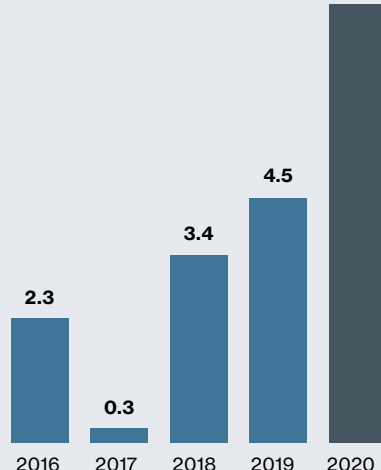
ELECTRICITY PRICE (GWP \$MWH)



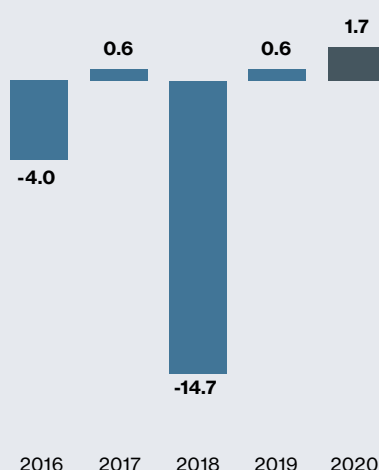
ELECTRICITY SALES (INCL REALISED HEDGES) (\$M)



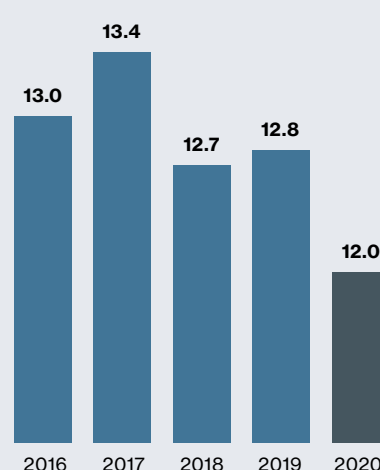
EBITDAF (\$M)



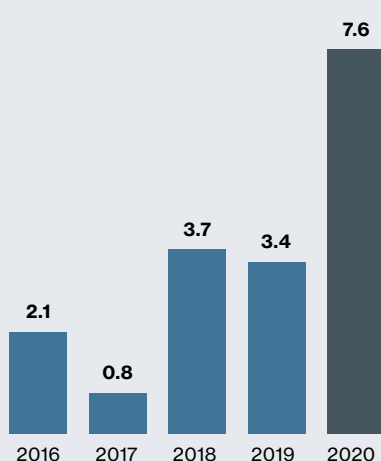
NPAT (\$M)



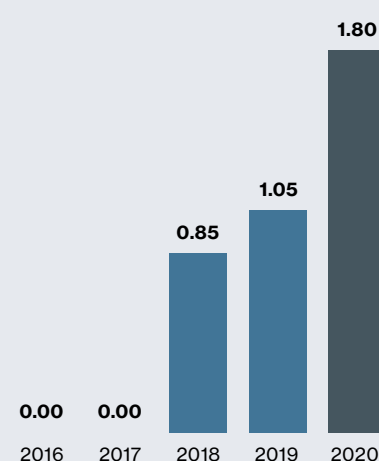
NTA (CPS)



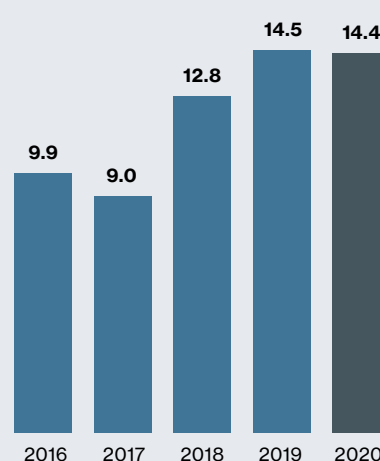
OPERATING CASH FLOW (\$M)



GROSS DIVIDENDS (CPS)



SHARE PRICE (CPS) AT 30 JUNE



Chairman's Review



Dear Shareholders,

Your Board is pleased to present the results of a year of hard work, attention to detail, and preparation for the future. Meanwhile, while we can celebrate a much stronger performance by the Company in the year under review, we know that a challenging environment is ahead of us and for the electricity sector as a whole. It is against this backdrop that we will also advance our own strategic planning.

We have announced a final dividend of 0.70 cents per share for the second half of the financial year. In total we have paid 1.80 cents per share (\$5.2 million) in dividends over FY20. Our ability to continue paying dividends, when many firms are unsure about what COVID might bring have chosen not to, reflects both our commitment to prioritising stable shareholder returns, as well as a robust underlying performance on the back of changes and decisions made over the last two years.

There is no doubt that, as a result of these changes, the Company is now on a much surer footing from which to both advance its strategic planning, and carefully navigate the challenges of a market beset not only by the impacts of COVID-19 but also potentially major structural changes arising from the future status of major electricity consumers like Tiwai Point Aluminium Smelter, NZ Steel, and NZ Refining.

Milestones

In many ways, the year under review has been less eventful than FY19, and that in itself is progress. Having gone through a period of considerable change, FY20 has seen us consolidate and re-establish a more stable platform for the Company to allow it to focus on improving our operating model.

We concluded the year with the same Board and management team with which we started the year. By contrast to the major changes the year before, a less eventful year reflects a more stable and orderly period for the Company. This is a track that we intend to remain on as we move into our next strategic phase.

Our most significant milestone during this financial year was the completion of our Variable Volume Fixed Price Agreement (VVFPA) contract (announced July 2019) which provided greater certainty around revenue, against which we could refine and improve our operations. As a result, we were able to successfully enhance EBITDAF¹ and returns to shareholders.

Near-term focus: a new way of operating

The VVFPA provided a solid foundation for our improved performance over the past year. The performance demonstrates why we have moved to this model, an approach we believe will continue to serve us well.

While we cannot control market prices, we can focus on the elements of the business we can control, within a framework of greater certainty around revenue and production, as reflected in our FY20 results.

Your Board is pleased that the near-term focus that I outlined in my review a year ago has been evidenced – a more stable and certain platform for the business, that enables us to undertake business planning, operate the business and set dividend policy. This also allowed us to provide clear guidance during the year and we are delighted to not only commence forward guidance but more importantly, to achieve our guidance range.

The Board will review guidance for the year ahead and provide an update at the AGM.

Moving to our long-term focus

Having established this more stable base, the coming year will see us continue to fine-tune our model, but also turn more substantively to our long-term focus – how best to utilise and renew our assets over the longer term. Obviously decisions in this regard will also inform short-term asset management so that we continue to optimise shareholder value. We will keep shareholders informed along the way as we make a comprehensive and diligent strategic review of all options.

Advancing this strategic planning will be a key focus in this financial year.

1 EBITDAF - Earnings before interest, tax, depreciation, amortisation and fair value adjustments. EBITDAF is a non-GAAP financial measure.

In many ways, the year under review has been less eventful than 2019, and that in itself is progress.

Understanding our long-term plan also helps our management team better-manage capital expenditure on an ongoing basis, as we look to build upon improvements in both capital expenditure and operating expenditure achieved over the past two years.

Managing uncertainty

Looking ahead, we can see that our 'new normal' will require us to continually manage uncertainty. This is why the certainty and longer-term horizon we achieved with our VVFP is so important, as is our focus on controllable activities. While we have seamlessly navigated the immediate challenges of COVID-19 in New Zealand, we acknowledge that the macro environment for this sector now has challenges.

Regardless of the precise outcome at Tiwai Point and with other major electricity users, it is likely electricity prices will soften, making it all the more important that we both continue to manage our business efficiently, and that we have clarity with respect to longer-term asset management.

While the long-term policy and market environment continues to migrate towards green energy, sustainably generated, which is core to our offer, we are likely to have to contend with softer market and price conditions for some time to come. Our preference is to renew the VVFP, providing the terms remain competitive to other hedging alternatives.

Acknowledgements

My thanks to our Board of Directors who have helped guide and support our team through a more balanced year of renewal and growth, and who will play a crucial role as we look forward in our upcoming strategic planning. Our management, and all the members of our team have stepped up both to the challenges we face as a Company, and to the unexpected rigours of the COVID-19 pandemic and its health and safety implications. The spirit of innovation, teamwork and a commitment to succeed right across our team has played a crucial role to enable the results we achieved for the year.

Finally, thank you to our shareholders for your continued support, and the commitment you have shown in supporting our Company's renewal and change. I would like to welcome our new shareholders and I would also like to thank departing shareholders for supporting the Company through the now completed turnaround over the past few years. The year just concluded has shown that the approach we are taking can bring rewards, and that stable, reliable returns are achievable from our renewable generation assets if we continue to be both disciplined in the short term and strategic about asset deployment over the longer term.

John Southworth
Chairman

Chief Executive Officer's Review



Dear Shareholders,

Overview

The Company achieved record levels across multiple metrics during FY20. These included revenue (incl realised hedges) of \$11.5m (2019: \$8.4m), Electricity Price (incl realised hedges) Net GWP¹ \$97.39 per MWh (2019: \$79.43), EBITDAF² \$8.0m (2019: \$4.5m), Operating Cashflow³ \$7.6m (2019: \$3.4m) and Total Unimputed Dividends of 1.80 cps (2019: 1.05 cps) and \$5.2m (2019: \$3.0m)

Record revenue was driven by a combination of high wholesale and hedge price levels throughout the period and excellent generation conditions, particularly during the first half of the year. EBITDAF was inline with our upgraded FY20 EBITDAF guidance range of \$7.75m to \$8.25m. Profit before tax was \$2.4m (2019: \$0.7m) and Net Profit After Tax was \$1.7m (2019: \$0.6m).

Previously-signalled initiatives like our Variable Volume Fixed Price Agreement (VVFPA) and the Board's focus on challenging operational expenditure were key pillars to our success and has several positive effects. The first is that the VVFPA provides a level of certainty in earnings that has not been achievable in the past. This is allowing the Board to position the Company as a dividend paying stock and to improve shareholder and institutional support. Secondly, by continuing to lower the cash operating and capital costs of the

business this improves the ability of the Company to remain profitable throughout the electricity price cycle. Lastly, from a firm operating base, the Board can tackle its strategic planning and they look forward to updating the market with the conclusions of that process when it is finalised.

Variable Volume Fixed Price Agreement

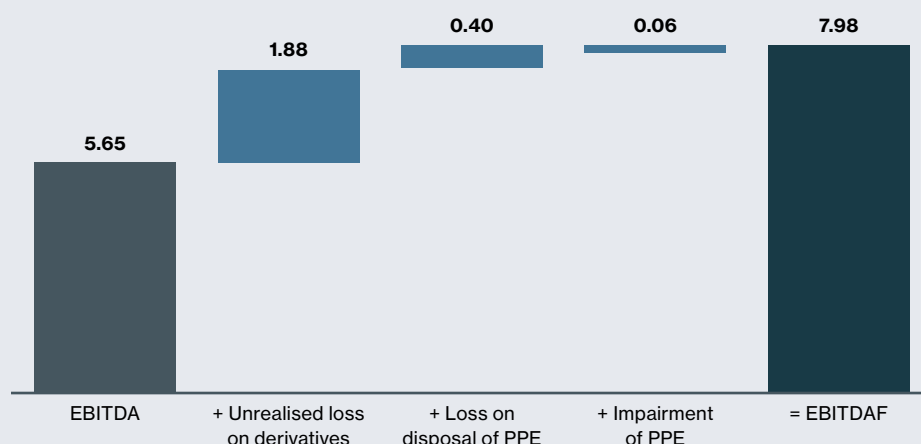
We will look to renegotiate our VVFPA over coming months. We are confident this mechanism continues to be the best way to manage electricity price risk for our business. However an inflection point exists, where below a certain price level, the Board would favour other electricity price hedging tools and strategies over a VVFPA.

The last time we approached the market, we had strong interest from a cross section of the industry and we received multiple bids. That experience provides some confidence that we can re-negotiate a contract that enables us to continue the progress we made in the past year and are hopeful counter parties see similar benefits in the 100% renewable energy we offer.

Generation

Generation was up on last year 118.4 GWh (2019: 105.5 GWh) resulting from the improved wind resource represented by average mean wind speed 9.7 m/s (2019: 9.0 m/s).

EBITDAF WATERFALL CHART (\$M)



1 Net GWP = Net generation weighted price = (electricity sales + gain on realised derivatives – loss on realised derivatives) / generation

2 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.

3 Operating cashflow is referred to as net cash inflow (outflow) from operating activities in the financial statements.

It should be noted that prior year average wind speeds may not be directly comparable to this year because of a number of different operational settings that exist now, that were not in place then. These factors are highlighted in the generation waterfall chart.

Availability

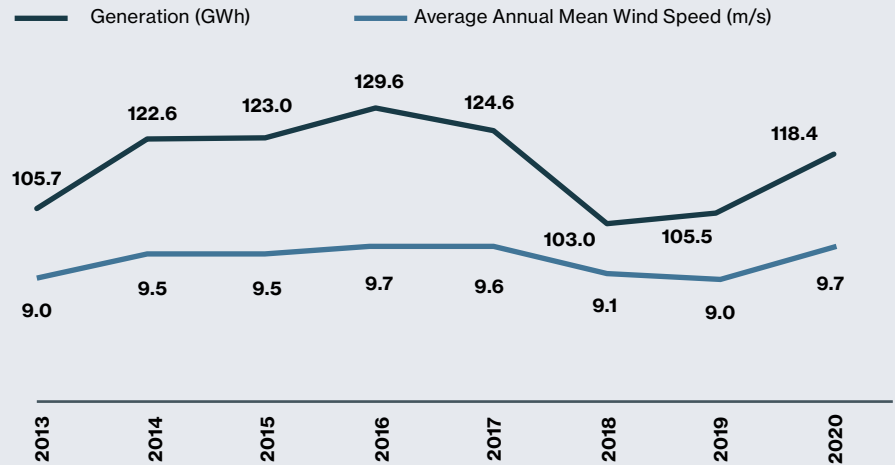
Availability was below last year 95.3% (2019: 98.4%). We outperformed the OEM benchmark of 95.0% (2019: Outperformed) but underperformed the industry benchmark of 97.0% (2019: Outperformed). Contributing to reduced availability this year was a change in the pattern of failure for long lead time components. In prior years, gearboxes would fail every four to six weeks on average. That historically matched up with throughput of the gearbox refurbishment programme and therefore the impact on availability was negligible. In the first half of the financial year, we had a good wind period. This is positive on the generation side, but it is offset by higher expected component failure rate and this reduces the availability metric.

Key component replacement

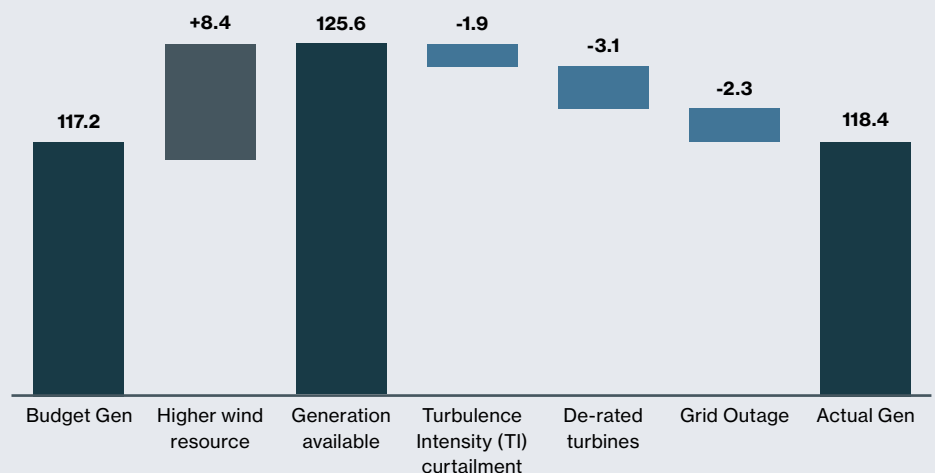
The chart below highlights the key components replaced between the period FY13 and FY20.

The turbine platform and infrastructure is robust and enhanced component life is slowly being realised as a result of continuous improvement regimes. Components are sourced from multiple suppliers where possible, and no longer from the original equipment manufacturer. Every capex decision is modelled to measure the IRR, NPV and discounted payback period. Turbines that do not reach the appropriate investment hurdles become candidates for decommissioning. Last year one turbine was decommissioned (2019: three).

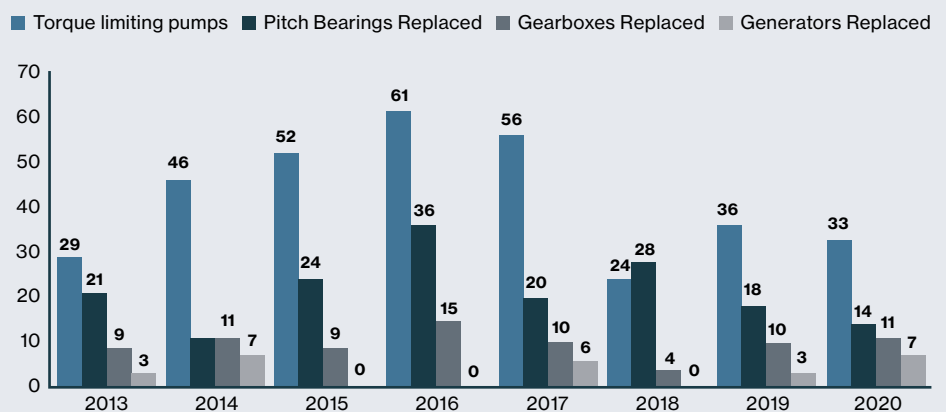
GENERATION (GWH) AND AVERAGE MEAN WIND SPEED (M/S)



GENERATION WATERFALL CHART FOR YEAR ENDING 30 JUNE 2020 (GWH)



KEY COMPONENTS REPLACED



Distributions

Over the past year, the Board has continued to transform the Company into a stable income producing asset for its shareholders.

Today the Board is pleased to announce a 0.70 cps unimputed dividend (2019: 0.55 cps) to be paid 22 September 2020. Details are included in the accompanying distribution notice.

In addition, the Board has paid a 0.40 cps unimputed dividend on 1 October 2019 (pcp: nil) and a 0.70 cps unimputed dividend on 19 March 2020 (pcp: nil). This brings the total unimputed dividends paid related to the full year reporting period to a record 1.80 cps (2019: 1.05 cps) for a total of \$5.2 million (2019: \$3.0 million)

In addition, an on-market share buyback programme was active to year end. The confidential buy limit set by the Board, that was derived after careful consideration of relevant factors, was not reached during the trading period. Consequently, the share buy-back lapsed without any transactions. As a result, the Board has factored some of that capital into the distribution announced today.

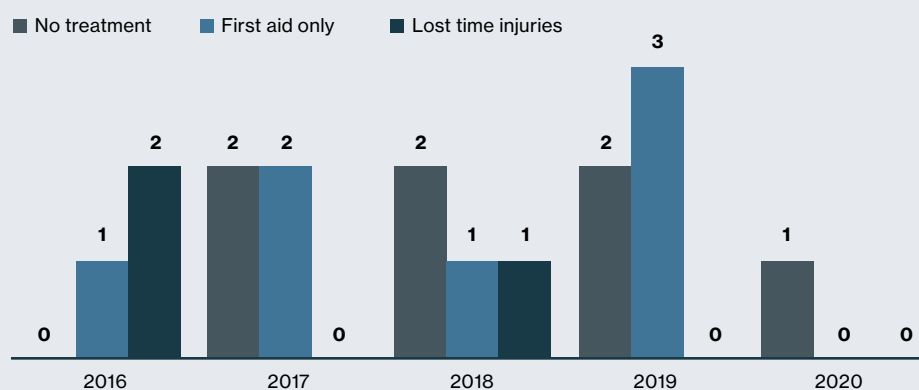
Bank Funding

The Board refinanced the Company's lending for three years on improved terms with BNZ in February 2020. This lowers the Company's cost of debt, improves its WACC⁴, and further optimises its capital structure.

Total debt is \$9.9m (2019: \$10.8m), Net debt⁵ is \$6.2m (2019: \$8.0m) and net debt to EBITDAF is 0.77 times (2019: 1.77 times).

The Company has comfortably met its lending covenants since establishment and is forecast to remain compliant over the next 12 months.

HEALTH AND SAFETY METRICS



COVID-19

Despite the record financial performance, many will understandably remember FY20 for the impact of Covid-19. I am pleased to report that the Company was able to manage the risks of this event extremely well, with no material impacts to the operating or financial performance. As an essential service, it required adaptive ways of operating, to keep our staff safe, to remain compliant with Government protocols, and to continue to provide renewable energy to the wholesale market and end users.

Health and Safety

The health and safety culture of the business is strong and metrics that we monitor remain at excellent levels

Operations

The team worked through a number of operational challenges during the period. One of these was minimising the impact of a week-long local grid outage to allow critical work to be undertaken on Transpower substations in our region. The shutdown resulted in foregone generation of approximately ~2.3 GWh's. This translates into ~\$0.20m of foregone revenue. In addition, we suffered moisture damage to four generators ~\$0.15m.

Generator damage can occur in wintry conditions when high ambient moisture levels in the atmosphere penetrate internal generator components causing damage. Normally internal fans and heaters prevent this from occurring but during a grid outage these do not function. Stakeholders work proactively to plan outages for late summer / autumn during the settled weather period, but Covid restrictions pushed the outage into June. As a consequence, we are investigating refinements to minimise the risk of moisture damage to generators in the future, we have amended our restart procedures after a grid outage, and we are investigating a more enduring solution that will provide ongoing resilience to the site, however this last line of effort is yet to be costed.

Staffing

Our improved results in the year under review are a credit to our whole team which worked attentively to continuously improve operating performance in line with our goals. Covid restrictions provided challenges but, overall the productivity of our team in the face of challenging conditions is a credit to everyone involved, and is an important pillar in our business continuity plans. We thank the team for their dedication and professionalism, which was reflected in its adaptive

⁴ Weighted average cost of capital

⁵ Net debt = total debt less cash & cash equivalents

What remains unchanged is the fantastic wind resource available and the ability to harness that.

response to the unique operating conditions imposed by Covid restrictions. As an essential service, we were pleased to offer an uninterrupted service to our customers.

Partnerships

Just as our team worked hard to ensure business continuity in an otherwise restricted environment, so too our suppliers and partners were critical to maintaining our work programme and minimising disruption. A business like ours operates in an ecosystem of stakeholders that support our operation. These relationships were particularly important this year, especially during lockdown with its impact on global supply lines, and on contractors and service providers we rely upon to generate sustainable energy. Our lean operating model means this ecosystem of suppliers and partners is critical to our business and we are grateful for their continued support and, indeed, willingness to adapt and work with us during the additional health and safety requirements brought on by Covid.

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.

Conclusion

To conclude, what remains unchanged is the fantastic wind resource available and the ability to harness that into 100% renewable energy, in a safe, cost effective and sustainable manner. The Board takes a long-term view of the business and attempts to look through current uncertainties. An electricity industry without carbon and a rebalance of electricity supply and demand will create opportunities for those who can see through the current malaise. The Board will continue to manage all the factors within its control and seek value enhancing strategies for all shareholders.

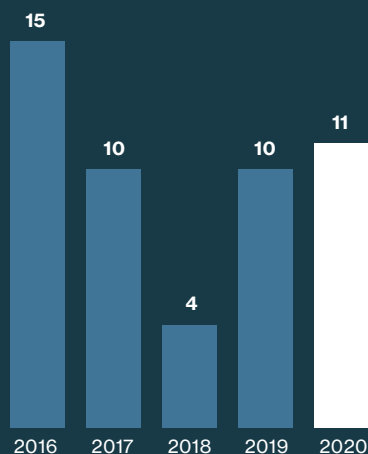
Warren Koia
Chief Executive Officer

Clean and renewable energy

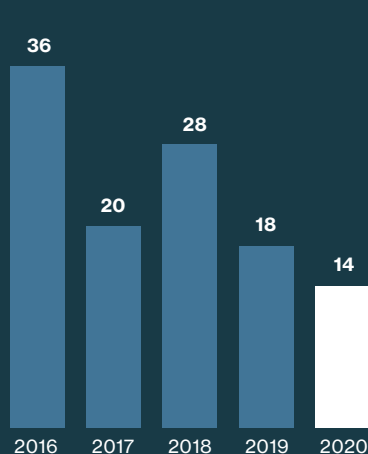
The Company has 92 turbines with a

Operational Overview

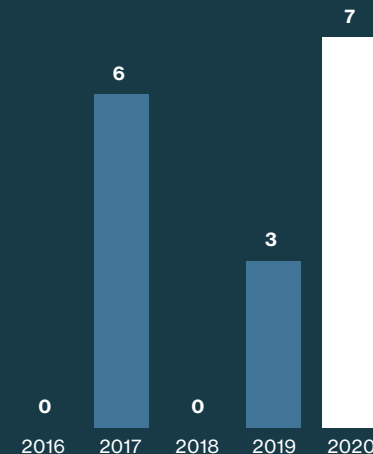
GEARBOXES REPLACED



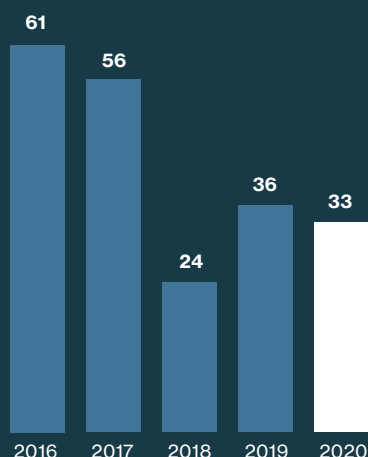
PITCH BEARINGS REPLACED



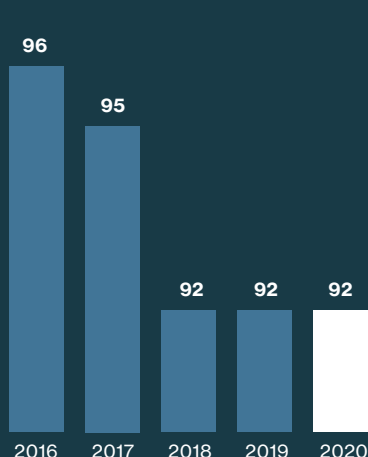
GENERATORS REPLACED



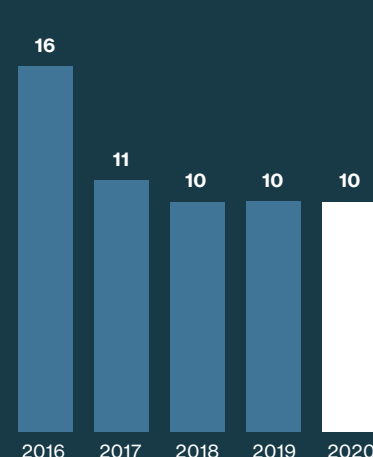
TORQUE LIMITING PUMPS



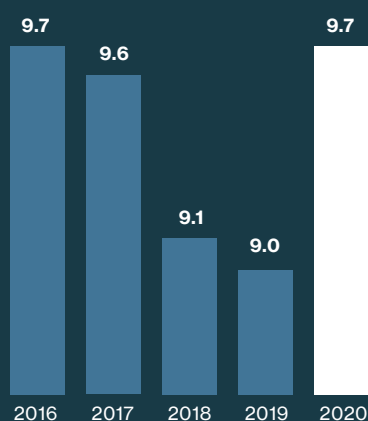
OPERATIONAL TURBINE FLEET



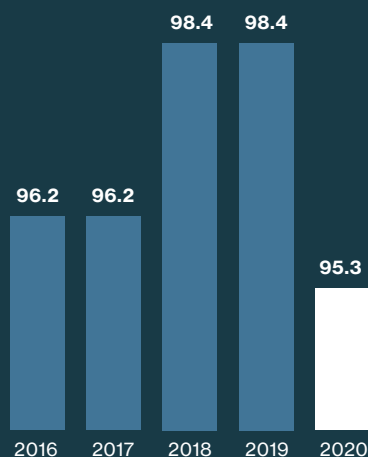
STAFF NUMBER'S



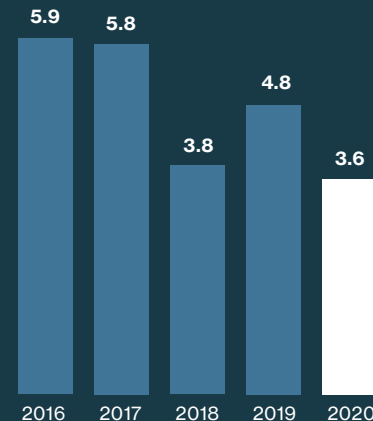
AVERAGE ANNUAL MEAN WIND SPEED (M/S)



AVAILABILITY (%)



CASH OPERATING EXPENDITURE (\$M)





Director Profiles

The Directors of NZ Windfarms Limited are:

John Southworth
CHAIRMAN



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

John has 25 years of experience in the finance sector including funds management, share-broking sales and research, and special situations investment. He has been involved in a number of high

value transactions either as manager or advisor across a range of industries.

John represents the Company's fourth largest shareholder as a non-independent director on the board.

John is Chair of the Board, Chair of the Remuneration & Nomination Committee and Chair of the Health & Safety Committee.

Patrick Brockie
DIRECTOR



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

Patrick is Chief Financial Officer at City Rail Link Limited. City Rail Link is a \$4.4bn 3.5km double-track tunnel underneath Auckland's city centre. Previously he was Head of Loans & Specialised Finance for ANZ Bank New Zealand Limited from 2010 to 2018. Prior to ANZ Patrick had a 20 year career with Citibank based in New Zealand, Singapore, Hong Kong and London with

his last position as Managing Director and Global Head of Export & Agency Finance. Patrick has extensive experience with debt markets including project and acquisition finance with a strong focus on renewable energy and infrastructure. Patrick was Chair of Infrastructure New Zealand from 2015 to 2018.

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

Philip Lennon
DIRECTOR



Phil was appointed to the Board in May 2019. He is a non-independent director and a shareholder in the Company.

Phil was the founder of Apex Rental Cars Limited and was its Managing Director from 1992 until the sale of the business in 2013. He is currently involved as a director and shareholder in a number of private companies - Steval Properties Ltd, Deerace Corporation Ltd, Lennon RFID Developments Ltd, ArcActive Limited. He

holds a Bachelor of Engineering Degree (Electrical and Electronic) from University of Canterbury and in the ten years prior to establishing Apex Rental Cars he held various positions in Communications Engineering with the former Telecom NZ.

Phil is a member of the Audit and Risk Committee, the Remuneration & Nomination Committee and the Health & Safety Committee.

Mark Evans
DIRECTOR



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

Mark has over 30 years self-employed business experience directing, developing, owning and operating a diverse set of businesses across a wide range of business sectors. They include retail, industrial services, commercial

property, finance and management consulting and commercial property portfolio restructures. Mark is currently the Managing Director of Site Managers Ltd and Kericrest Properties Ltd.

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



Corporate Governance Statement

NZ Windfarms Limited

For the year ended 30 June 2020

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

Compliance with NZX Best Practice Code and other guidelines

The NZX Limited Main Board Listing Rules require listed companies to disclose in their annual report whether and to what extent their corporate governance principles materially differ from the NZX Corporate Governance Code ("NZX Code"). NZ Windfarms ("NZ Windfarms" or "the Company") has no significant differences from the NZX Code. The following section summarises the key governance and compliance policies and procedures in place:

Code of Ethics

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

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

Role of the Board of Directors

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

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

The Board establishes the corporate objectives of the Group and monitors management's implementation of strategies to achieve the objectives. It is engaged in on-going strategic planning in order to meet the objectives. It provides an oversight of compliance and risk, it measures and monitors management performance and it sets in place the policy framework within which the Group operates.

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

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

Delegation of authority

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

Continuous disclosure obligations

Continuous disclosure obligations in the NZX Limited Main Board Listing Rules require all listed companies to advise the market about any material events and developments as soon as the Company becomes aware of them. The Company complies with these obligations on an on-going basis.

Share trading by Directors and management

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

Treasury Policy

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

Board composition and membership

In accordance with the Company's Constitution, the Board will comprise not less than three Directors. At year-end, the Board comprised four Directors: a non-executive Chairman, and three non-executive Directors, two of which are independent Directors.

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

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

Operation of the Board

The Board meets regularly (usually monthly) for meetings. Key executives attend Board meetings by invitation. For each meeting the Chief Executive Officer prepares a report to the Board that includes a summary of the Company and Group's activities, together with financial reports and wind farm capital expenditure and operational updates. In addition, the Board receives regular briefings on key strategic issues from management.

The Company offers a Director's induction programme for newly appointed Directors. All Directors have advice of Board policies and procedures, Company Constitution, the Board timetable and Board Committees' Terms of Reference.

Table 1; Director Attendances at Board and Audit & Risk Committee ("ARC") Meetings in this financial year

	Board Meetings Attended / Meetings Held	Audit & Risk Committee Meetings Attended / Meetings Held
John Southworth	13 of 13	1 of 6*
Patrick Brockie	11 of 13	6 of 6
Philip Lennon	13 of 13	5 of 6
Mark Evans	12 of 13	6 of 6

*John Southworth was not a member of the ARC meeting but was in attendance at one meeting.

Chief Executive Officer

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

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

Independence of Directors

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

It has been determined by the Board that Patrick Brockie and Mark Evans are independent director's. As of 2 July 2020, John Southworth is also considered an independent, non-executive Chairman. John Southworth is a Director of LET Capital No 1 Ltd, the Company's fourth largest shareholder holding at 4.28% and Philip Lennon is the Company's third largest shareholder at 5.82%.

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

Rotation of Directors

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

Directors and Officers gender composition

At 30 June 2020 there were six (2019: six) Directors and Officers. The gender composition is shown in the table below.

	2020	2019
Directors - female	0	0
Directors - male	4	4
Officers - female	0	0
Officers - male	2	2

Board Committees

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

Audit and Risk Committee

The Audit and Risk Committee at the end of the financial year comprised Patrick Brockie (Chair), Philip Lennon and Mark Evans.

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

The Committee also monitors and oversees the quality of financial reporting and financial management. In order to achieve this the Committee considers accounting and audit issues and makes recommendations to the Board of Directors as required and monitors the role, responsibility and performance of the external auditor. The function of the Audit and Risk Committee is to assist the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 2013 on matters relating to the Group's accounting practices, policies and controls relevant to the financial position, and to liaise with external auditors on behalf of the Board of Directors.

The Chief Executive Officer and Naylor Lawrence & Associates Ltd (Virtual CFO) attend Committee meetings by invitation as does the external auditor when required.

Remuneration Committee

The Remuneration Committee at the end of the financial year comprised John Southworth (Chair), Patrick Brockie, Philip Lennon and Mark Evans. The Remuneration Committee's primary purpose is to review Directors' fees, the Chief Executive Officer's remuneration package and performance, and the policy for remuneration of senior management. These reviews form the basis of recommendations to the Board. Details of Directors' remunerations are set out under the section headed Directors remuneration.

Nominations Committee

The Nominations Committee at the end of the financial year comprised John Southworth (Chair), Patrick Brockie, Philip Lennon and Mark Evans. The Nominations Committee's primary purpose is to ensure the Company has formal and transparent processes for the nomination and appointment of Directors and to identify any skill gaps to ensure diversity and experience on the Board.

Conflicts of interest

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

Audit governance and independence

The work of the External Auditor is limited to audit and related work only and the Company is committed to auditor independence. The Board, through the Audit and Risk Committee, annually reviews the independence and objectivity of the External Auditor. No employees or partners of the auditor's firm hold shares in the Company and the External Auditor confirms annually its commitment to strict procedures to ensure independence.

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

Reporting and disclosure

Annual and Interim six-monthly reports are published in accordance with the requirements of the *Companies Act 1993*, the *Financial Reporting Act 2013* and the NZX Limited Main Board Listing Rules and are communicated on a periodic basis to all shareholders. The Annual Report is audited.

A Company website is maintained and contains regular updates to shareholders. The Annual and Interim reports are available online at our website www.nzwindfarms.co.nz

Shareholder relations

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

Directors' Shareholdings as at Year-End

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

Name of Related Party	Relationship	Shares 30 June 2019	Movement	Shares 30 June 2020
John Southworth	Director	21,089,881	(8,662,864)	12,427,017
Patrick Brockie	Director	–	–	–
Philip Lennon	Director	16,758,000	–	16,758,000
Mark Evans	Director	10,844,988	–	10,844,988

John Southworth's shares are held as follows:

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

Mark Evans' shares are held as follows:

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

Statutory Information

NZ Windfarms Limited

For the year ended 30 June 2020

Interests Register

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

Director	Period	Counterparty	Nature of Interest
John Southworth	Full year	LET Capital No 1 Limited	Director/Shareholder
		NZWL-TRH Limited	Director
		TRH Services Limited	Director
Philip Lennon	Full year	NZWL-TRH Limited	Director
		TRH Services Limited	Director
		Tracient Technologies Limited	Director
		Hackthorne Acquisitions Limited	Shareholder
		Lennon Property Holdings Limited	Director/Shareholder
		Ezstream Limited	Shareholder
		Brothers Stream Forest (No5) Limited	Director/Shareholder
		Steval Properties Limited	Director/Shareholder
		Lennon RFID Developments Limited	Director/Shareholder
Patrick Brockie	Full year	ArcActive Limited	Director/Shareholder
		NZWL-TRH Limited	Director
		TRH Services Limited	Director
		World Vision New Zealand	Trustee
Mark Evans	Full year	City Rail Link Limited	Employee
		Winter Pixel Limited	Shareholder
		NZWL-TRH Limited	Director
		TRH Services Limited	Director
		Site Managers Limited	Director/Shareholder
		Kericrest Properties Limited	Director/Shareholder

NZX Waivers

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

Directors Remuneration

Directors' fees total \$298,757 (2019: \$211,146) per annum. As at 30 June 2020 remuneration levels are: The Board Chairman receives \$106,000 per annum and the remaining directors receive a base fee of \$65,000 per annum. The Chair of the Audit and Risk Committee receives an additional \$6,000 per annum and the other members of the Audit and Risk Committee receive an additional \$3,000 per annum. Membership of any other standing committees does not attract any additional fees. Fees paid to executive directors fall outside the director fee pool calculation.

The following table summarises the Directors' remuneration for the year ended 30 June 2020:

Director	Director Fees (\$)
John Southworth	106,757
Patrick Brockie	66,000
Philip Lennon	63,000
Mark Evans	63,000

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

Directors Indemnity and Insurance

The Company has Directors' and Officers' Liability insurance of \$20,000,000 (2019: \$20,000,000) in the aggregate.

Subsidiaries

The following persons held the office of Director of NZ Windfarms Limited's subsidiaries as at 30 June 2020. No Director of any subsidiary received any Director fees or other benefits as a Director of the subsidiary companies.

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

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

Employee Remuneration

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

Remuneration range	Employees 2020	Employees 2019
\$250,000 - \$300,000	1	0
\$200,000 - \$250,000	0	1
\$150,000 - \$200,000	1	1
\$100,000 - \$150,000	5	6

Total remuneration above includes all benefits.

Shareholder Information

NZ Windfarms Limited

For the year ended 30 June 2020

The ordinary shares of NZ Windfarms Limited are listed on the New Zealand Stock Exchange's Market (NZX). The information in the disclosures below has been taken from the Company's share register as at 14 August 2020.

Twenty Largest Ordinary Shareholders

Shareholder	Address	Shares	% of Issued Capital
Robert Alexander Stone	Singapore	41,500,000	14.41%
BNP Paribas Nominees NZ Limited	Wellington	18,718,940	6.50%
Philip George Lennon	Christchurch	16,758,000	5.82%
Let Capital Number 1 Limited	Wellington	12,340,017	4.28%
New Zealand Depository Nominee	Wellington	11,180,452	3.88%
Hsu Cheng Yang	Auckland	11,000,000	3.82%
Kericrest Properties Limited	Kerikeri	10,844,988	3.76%
Bruce Howden Blake	Auckland	5,000,000	1.74%
Capital Property Group Limited	Queenstown	4,529,998	1.57%
JPMorgan Chase Bank	Wellington	3,965,986	1.38%
Andrew Robert Taggart & Elizabeth Clare Ledgerwood	Dunedin	3,750,000	1.30%
National Nominees New Zealand Limited	Auckland	3,323,625	1.15%
Tony Whyman	Wellington	3,104,375	1.08%
Po Hui Chi	Auckland	3,100,000	1.08%
Craig Earl Gregory Bowler	Waiuku	3,059,056	1.06%
Custodial Services Limited	Tauranga	2,727,929	0.95%
Rotorua Trust Perpetual Capital Fund Limited	Rotorua	2,656,062	0.92%
Anthony John Anselmi & Ross Michael Alleman	Auckland	2,566,667	0.89%
NZGT Nominees Limited	Auckland	2,317,015	0.80%
Accident Compensation Corporation	Wellington	2,072,718	0.72%

Holding Ranges	Number of holders	Shares	% of Issued Capital
1 to 1,000	130	92,714	0.03%
1,001 to 5,000	608	1,984,003	0.69%
5,001 to 10,000	372	2,934,662	1.02%
10,001 to 50,000	808	19,960,421	6.93%
50,001 to 100,000	222	17,094,310	5.93%
100,001 and over	250	245,997,474	85.40%
Totals	2,390	288,063,584	100%

Substantial Security Holder Notices

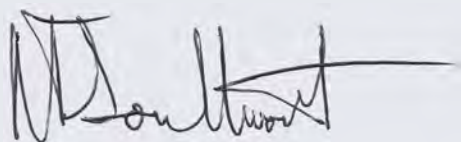
This information is given in accordance with the *Financial Markets Conduct Act 2013*. The Company holds substantial security notices from the following parties as at 30 June 2020:

Shareholder	Number of shares directly held	%
Robert Alexander Stone	41,500,000	14.41%
Salt Funds Management Limited	22,421,720	7.78%
AMP Capital Investors	21,815,774	7.57%
Philip George Lennon	16,758,000	5.82%

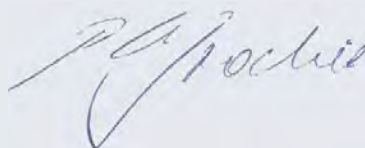
The total number of issued voting securities as at 30 June 2020 was 288,063,584 (2019: 288,063,584).

Directors' Statement

The Annual Report is dated 28 August 2020 and is signed on behalf of the Board by:



John Southworth
Chairman



Patrick Brockie
Director



Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2020

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Consolidated Statement of Comprehensive Income

NZ Windfarms Limited

For the year ended 30 June 2020

	Notes	2020 (\$)	2019 (\$)
Income			
Electricity sales		10,136,354	12,183,848
Gain on unrealised derivatives	13	–	428,213
Gain on realised derivatives	13	1,394,088	–
Land lease		27,000	27,000
Total Income		11,557,443	12,639,061
Operating expenses			
Administration expenses		185,125	203,292
Audit fees	2	59,500	52,840
Directors' fees	16	298,757	211,146
Employment expenses	3	1,276,439	1,454,000
Insurance		165,422	161,212
Lease and rental expenses	18	41,905	80,418
Legal and consulting expenses		285,903	461,513
Realised loss on derivatives	13	–	3,804,180
Unrealised loss on derivatives	13	1,876,286	–
Impairment of property, plant and equipment	5, 15	56,697	–
Loss on disposal of property, plant and equipment	5	399,542	540,472
Te Rere Hau wind farm operational expenses		1,034,200	1,178,189
Other operating expenses		228,108	223,243
Written off inventories	15	–	235,796
Total Operating expenses		5,907,882	8,606,303
Profit before interest, amortisation, depreciation and tax		5,649,561	4,032,758
Interest			
Interest income		21,143	34,000
Interest expense on liabilities at amortised cost		(540,711)	(683,530)
Total Interest		(519,567)	(649,530)
Profit before impairment, amortisation, depreciation and tax		5,129,993	3,383,228

Consolidated Statement of Comprehensive Income

NZ Windfarms Limited

For the year ended 30 June 2020

	Notes	2020 (\$)	2019 (\$)
Depreciation and amortisation			
Depreciation	5, 18	2,437,238	2,373,886
Amortisation	6	291,341	291,341
Total Depreciation and amortisation		2,728,579	2,665,228
Profit before tax		2,401,414	718,000
Income tax expense (benefit)			
Income tax expense (benefit)	1	673,908	90,528
Total Income tax expense (benefit)		673,908	90,528
Net profit after tax		1,727,506	627,472
Total comprehensive income		1,727,506	627,472
	Notes	2020 (\$)	2019 (\$)
Earnings per share			
Basic earnings per share	11	0.00599696	0.00217824
Diluted earnings per share	11	0.00594414	0.00205645

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

Consolidated Balance Sheet

NZ Windfarms Limited

For the year ended 30 June 2020

	Notes	2020 (\$)	(Restated per note 26) 2019 (\$)
Assets			
Current Assets			
Cash and cash equivalents	14	3,735,782	2,848,033
Trade and other receivables	4	1,296,277	1,227,267
Derivative asset	13	–	428,213
Inventories		1,260,177	1,062,285
Total Current Assets		6,292,236	5,565,797
Non-Current Assets			
Property, plant and equipment	5	41,043,924	42,881,301
Intangible assets	6	3,383,700	3,675,041
Deferred tax	8	2,897,367	3,571,275
Right-of-use assets	18	161,750	–
Total Non-Current Assets		47,486,740	50,127,617
Total Assets		53,778,976	55,693,414
Liabilities			
Current Liabilities			
Trade and other payables	9	1,246,891	914,281
Derivative liability	13	1,448,073	–
Insurance Premium Finance		91,132	–
Lease liabilities - current portion	18	12,302	–
Term loan - current portion	19	946,154	946,154
Total Current Liabilities		3,744,552	1,860,435
Non-Current Liabilities			
Lease liabilities - non-current portion	18	195,800	–
Term loan - non-current portion	19	8,946,325	9,870,516
Total Non-Current Liabilities		9,142,125	9,870,516
Total Liabilities		12,886,678	11,730,951
Net Assets		40,892,298	43,962,463
Equity			
Share capital	10	107,005,000	107,005,000
Retained earnings		(66,126,596)	(63,127,212)
Employee share option reserve	10	13,894	84,675
Total Equity		40,892,298	43,962,463

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

Consolidated Statement of Changes in Equity

NZ Windfarms Limited

For the year ended 30 June 2020

	Notes	2020 (\$)	(Restated per note 26) 2019 (\$)
Equity			
Share Capital			
Opening Balance		107,005,000	107,005,000
Closing Balance		107,005,000	107,005,000
Retained Earnings			
Opening Balance		(63,127,212)	(63,008,564)
Effect of prior period adjustment	26	–	639,575
Adjustment on initial application of NZ IFRS 16	25	(44,618)	–
Restated Opening Balance		(63,171,830)	(62,368,989)
Total comprehensive income (loss) for the period		1,727,506	627,472
Transactions with owners of the Company in their capacity as owners			
Employee share options forfeited	10	70,781	54,625
Dividends Paid	10	(4,753,053)	(1,440,320)
Closing Balance		(66,126,596)	(63,127,212)
Employee share option reserve			
Opening Balance		84,675	139,300
Share options forfeited	10	(70,781)	(54,625)
Closing Balance		13,894	84,675
Total Equity		40,892,298	43,962,463

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

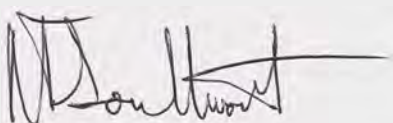
Consolidated Statement of Cash Flows

NZ Windfarms Limited

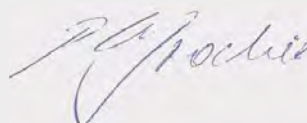
For the year ended 30 June 2020

	Notes	2020 (\$)	2019 (\$)
Consolidated Statement of Cash Flows			
Operating Activities			
Cash was received from:			
Trading revenue		10,126,051	11,838,000
Derivative gain realised	13	1,394,088	–
Interest received		21,143	33,259
Cash was applied to:			
Derivative loss realised		–	(3,700,577)
Payments to suppliers and employees		(3,407,357)	(4,251,846)
Interest paid		(502,568)	(536,000)
Net cash inflow from Operating Activities	12	7,631,357	3,382,836
Investing Activities			
Cash was applied to:			
Purchase of property, plant and equipment		(1,054,736)	(832,942)
Net cash outflow from Investing Activities		(1,054,736)	(832,942)
Financing Activities			
Cash was applied to:			
Repayment of Lease Liability		(11,628)	–
Repayment of BNZ loan	19	(924,191)	(946,000)
Dividend paid	10	(4,753,053)	(1,092,894)
Net cash outflow from Financing Activities		(5,688,872)	(2,038,894)
Net increase in cash and cash equivalents		887,749	511,000
Cash and cash equivalents, beginning of period		2,848,033	2,337,864
Cash and cash equivalents, end of period	14	3,735,782	2,848,864
Cash and cash equivalents			
Bank accounts and on call deposits		3,735,782	2,848,033
Cash and cash equivalents, end of period	14	3,735,782	2,848,033

Signed for and on behalf of the board as at 28 August 2020:



John Southworth
Chairman



Patrick Brockie
Director

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2020

Reporting Entity And Statutory Base

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

Basis Of Preparation

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

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

Measurement Base

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

Critical Accounting Estimates And Judgments In Applying Accounting Policies

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

In particular, information about areas with significant risk or material adjustment in the next 12 months and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following accounting policies and noted:

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

Adoption of new accounting policies

New standards impacting the Group that will be adopted in the annual financial statements for the year ended 30 June 2020, and which give rise to changes in the Group's accounting policies are:

- NZ IFRS 16 *Leases* (NZ IFRS 16); and
- NZ IFRIC 23 *Uncertainty over Income Tax Treatments* (NZ IFRIC 23)

The impact of the adoption of these standards are disclosed in 'Changes in accounting policies' below.

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.

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2020

NZ IFRIC 23 *Uncertainty over Income Tax Treatments*

NZ IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group has determined that the adoption of NZ IFRIC 23 has no impact on the financial statements as there are no uncertain tax treatments.

NZ IFRS 16 *Leases*

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

NZ IFRS 16 was adopted on 1 July 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 July 2019, see note 25. The following policies apply subsequent to the date of initial application, 1 July 2019.

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

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

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

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

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

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

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2020

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

Nature of leasing activities (in the capacity as lessee)

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

The percentages in the table below reflect the current proportions of lease payments that are fixed. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

30 June 2020	Lease contract number	Fixed payments
Leases with fixed payments	3	100%

Accounting Policies

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

Basis of consolidation

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

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

Revenue recognition

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

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

Energy futures derivatives

Energy futures derivative income is recognised on the fair value unrealised/realised gain/(loss) of 'contracts for difference' New Zealand Electricity Market ASX Futures with the counterparty and contracts for difference with a major NZ-based counterparty.

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

Interest

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

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2020

Taxation

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

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

Tax losses are recognised when future utilisation of the losses is probable.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are generally recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at the rates that are expected to apply in the period in which the liability is settled or the asset realised based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined principally on the weighted average price basis. Inventories include finished good consumable items.

Property, plant and equipment

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

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

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

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

Intangible assets

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

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

The useful lives have been estimated as follows:

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

The Group applies the straight line amortisation method.

The Group capitalises the direct costs associated with obtaining land use resource consents to build wind farms. Capitalised costs include external direct costs of services consumed, including expert advice directly associated with the land use consents, payroll and direct payroll-related costs for employees (including contractors) directly associated with the project. Resource consents and other intangible assets, are initially recorded at cost, less amortisation calculated on a straight line basis and accumulated impairment losses.

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2020

Financial instruments - initial and subsequent measurement

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2020

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

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

Derecognition

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2020

Subsequent measurement

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

Other financial liabilities

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

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

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

Financial liabilities at fair value through profit or loss

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

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

Derecognition

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

Employee benefits

Short term employee entitlements

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

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

Payments to defined contribution plans

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

Impairment of non-financial assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Statement of Accounting Policies

NZ Windfarms Limited

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

Statement of cash flows

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

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

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

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

Goods and services tax (GST)

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

Share-based payment arrangements

Equity-settled share-based payments to directors and employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 10.

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

Insurance premium finance

The Group finances its annual insurance premium through a reputable premium financing company, repayable over a period similar to the insured period. The liability is initially measured at an amount equal to total the repayments payable, and subsequently measured at amortised cost.

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2020

	2020 (\$)	2019 (\$)
1. Income tax expense		
Net Profit (Loss) Before Tax	2,401,414	718,000
Expected tax expense (benefit) at 28%	672,396	201,040
Adjustments for non-deductible expenses and non-assessable income		
Other non-deductible expenses	1,512	(11,000)
Prior period adjustment	–	(99,512)
Total Adjustments for non-deductible expenses and non-assessable income	1,512	(110,512)
Total tax expenses (benefit)	673,908	90,528
Represented by:		
Current tax	–	–
Deferred tax	673,908	90,528
Total Tax expense (benefit)	673,908	90,528
	2020 (\$)	2019 (\$)

Tax loss

Tax loss from previous years	20,480,907	20,439,985
Tax loss for the year	–	40,922
Tax loss utilised	(136,681)	–
Tax loss carried forward	20,344,226	20,480,907

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

Imputation credit account

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

The movements in the imputation credit account are detailed below:

	2020 (\$)	2019 (\$)
For the year to 30 June		
Credit at beginning of the year	0	0
Attached to dividend	0	0
Lost on shareholder continuity change	0	0
Credit balance at end of the year	0	0

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

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2020

	2020 (\$)	2019 (\$)
2. Fees paid to auditor		
Audit of financial statements	59,500	52,840
Total Fees paid to auditor	59,500	52,840

	2020 (\$)	2019 (\$)
3. Employment expenses		
Wages and salaries	1,202,206	1,370,917
KiwiSaver Contributions	34,788	30,000
Temporary Staff Fees	3,075	35,754
Fringe Benefit Tax	23,028	10,580
Other employee benefits	13,342	6,749
Total Employment expenses	1,276,439	1,454,000

	2020 (\$)	2019 (\$)
4. Trade and other receivables		
Trade Debtors	1,171,280	1,133,976
Prepayments	124,997	93,291
Total Trade and other receivables	1,296,277	1,227,267

Of the trade debtors nil (Prior year: nil) relate to balances not received by their due date, and all remain current within 30 days (Prior year: all current within 30 days).

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

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NZ Windfarms Limited

For the year ended 30 June 2020

5. Property, plant and equipment

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

	Land \$	Office equipment \$	Buildings, plant & equipment \$	Motor vehicles \$	Foundations \$	Electrical \$	Roading \$	Wind turbines \$	TOTAL \$
Cost:									
Balance at 1 July 2019	3,300,000	435,848	1,512,000	477,320	4,496,000	21,097,384	4,953,795	76,744,890	113,017,237
Additions	-	5,364	11,169	-	-	-	-	1,038,203	1,054,736
Transfer to inventories	-	-	-	-	-	-	-	(12,000)	(12,000)
Disposals	-	-	-	-	(48,344)	-	-	(1,993,276)	(2,041,620)
Balance at 30 June 2020	3,300,000	441,212	1,523,629	477,320	4,447,656	21,097,384	4,953,795	75,777,817	112,018,353
	Land \$	Office equipment \$	Buildings, plant & equipment \$	Motor vehicles \$	Foundations \$	Electrical \$	Roading \$	Wind turbines \$	TOTAL \$
Depreciation and impairment:									
Balance at 1 July 2019	-	420,234	756,922	279,219	2,685,769	8,328,783	3,032,640	54,632,369	70,135,936
Impairment	-	-	-	-	-	6,990	-	49,707	56,697
Accumulated depreciation on disposals	-	-	-	-	(29,384)	-	-	(1,612,697)	(1,642,080)
Depreciation	-	14,033	65,919	50,167	46,919	265,264	69,749	1,911,825	2,423,876
Balance at 30 June 2020	-	434,267	822,841	329,386	2,703,304	8,601,037	3,102,389	54,981,204	70,974,429
Carrying amount at 30 June 2020	3,300,000	6,945	700,328	147,934	1,744,352	12,496,347	1,851,406	20,796,613	41,043,924

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

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

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2020

	Land \$	Office equipment \$	Buildings, plant & equipment \$	Motor vehicles \$	Foundations \$	Electrical \$	Roading \$	Wind turbines \$	TOTAL \$
Cost:									
Balance at 1 July 2018	3,300,000	410,000	1,498,000	269,000	4,651,000	21,097,384	4,953,795	81,538,000	117,717,179
Additions	-	25,848	14,000	208,320	-	-	-	584,890	833,058
Transfer to inventories	-	-	-	-	-	-	-	(2,564,000)	(2,564,000)
Disposals	-	-	-	-	(155,000)	-	-	(2,814,000)	(2,969,000)
Balance at 30 June 2019	3,300,000	435,848	1,512,000	477,320	4,496,000	21,097,384	4,953,795	76,744,890	113,017,237
	Land \$	Office equipment \$	Buildings, plant & equipment \$	Motor vehicles \$	Foundations \$	Electrical \$	Roading \$	Wind turbines \$	“(Restated per note 26) TOTAL \$
Depreciation and impairment:									
Balance at 1 July 2018	-	405,000	691,261	251,000	2,716,849	8,146,641	2,962,891	57,928,000	73,101,642
Effect of prior period adjustment - per note 26	-	-	-	-	-	(78,851)	-	(560,724)	(639,575)
Restated balance at 1 July 2018	-	405,000	691,261	251,000	2,716,849	8,067,790	2,962,891	57,367,276	72,462,067
Transfer to inventories	-	-	-	-	-	-	-	(1,868,509)	(1,868,509)
Accumulated depreciation on disposals	-	-	-	-	(78,000)	-	-	(2,753,509)	(2,831,509)
Depreciation	-	15,234	65,661	28,219	46,920	260,993	69,749	1,887,110	2,373,886
Balance at 30 June 2019	-	420,234	756,922	279,219	2,685,769	8,328,783	3,032,640	54,632,369	70,135,936
Carrying amount at 30 June 2019	3,300,000	15,614	755,078	198,101	1,810,231	12,768,601	1,921,155	22,112,521	42,881,301
Carrying amount at 30 June 2018	3,300,000	4,789	808,246	17,632	1,933,295	12,950,743	1,990,904	23,608,730	44,614,339

As at 30 June 2019, the Board resolved to write off three decommissioned turbines and related foundations. A loss on disposal of 522,000 has been recognised in profit or loss, outside of \$18,000 of other disposed assets. In addition, parts of the decommissioned turbines to the value of \$250,000 have been transferred back into inventory as these are considered salvageable.

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2020

6. Intangible assets

Changes in the net carrying amount of intangible assets follow:

	Land use consent and wind rights \$	Grid connection \$	TOTAL \$
Cost:			
Balance at 1 July 2019	1,737,360	5,522,157	7,259,517
Balance at 30 June 2020	1,737,360	5,522,157	7,259,517
Amortisation and impairment:			
Balance at 1 July 2019	316,711	3,267,765	3,584,476
Amortisation	42,138	249,203	291,341
Balance at 30 June 2020	358,849	3,516,968	3,875,817
Carrying amount at 30 June 2020	1,378,511	2,005,189	3,383,700
	Land use consent and wind rights \$	Grid connection \$	TOTAL \$
Cost:			
Balance at 1 July 2018	1,737,360	5,522,157	7,259,517
Balance at 30 June 2019	1,737,360	5,522,157	7,259,517
Amortisation and impairment:			
Balance at 1 July 2018	274,573	3,018,562	3,293,135
Amortisation	42,138	249,203	291,341
Balance at 30 June 2019	316,711	3,267,765	3,584,476
Carrying amount at 30 June 2019	1,420,649	2,254,391	3,675,000
Carrying amount at 30 June 2018	1,462,787	2,503,595	3,966,382

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

7. Investment in subsidiaries

	2020	2019
NZWL - TRH Limited	100%	100%
TRH Services Limited	100%	100%

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

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

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2020

8. Deferred tax

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

	2020 (\$)	2019 (\$)
As at 30 June		
Deferred tax assets	5,778,448	5,784,185
Deferred tax liabilities	(2,891,081)	(2,212,910)
Deferred tax assets (net)	2,897,367	3,571,275
	Notes	
	2020 (\$)	2019 (\$)

Movement in temporary differences during the year

Opening balance			
Property, plant and equipment		(2,212,910)	(2,146,782)
Provisions		49,532	74,935
Losses		5,734,653	5,723,196
Other		–	10,454
Tax assets/(liabilities)		3,571,275	3,661,803
Recognised in profit (loss)			
Property, plant and equipment		(632,881)	(66,128)
Right-of-use assets	25	(45,290)	–
Provisions		(15,735)	(25,403)
Lease liability	25	58,269	–
Losses		(38,271)	11,457
Other		–	(10,454)
Movement in temporary differences		(673,908)	(90,528)
Closing balance			
Property, plant and equipment		(2,845,791)	(2,212,910)
Right-of-use assets		(45,290)	–
Provisions		33,797	49,532
Lease liability		58,269	–
Losses		5,696,382	5,734,653
Other		–	–
Tax assets/(liabilities)		2,897,367	3,571,275

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2020

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

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

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

	2020 (\$)	2019 (\$)
9. Trade and other payables		
Trade payables	703,121	158,169
Employee entitlements	168,707	74,824
Withholding tax	–	347,000
Accruals	278,241	269,742
GST payable	96,823	64,546
Total Trade and other payables	1,246,891	914,281

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

10. Share capital

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

The shares are fully paid and have no par value. At 30 June 2020, paid up share capital amounted to \$107,005,000 (Prior year: \$107,005,000).

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

Dividends

The Directors declared gross dividends of \$5,185,145 during the current financial year, and dividend per share was 1.80 cents per share. (Prior year: Dividends of \$3,024,668, 1.05 cents per share).

Employee Share Options

Details of the share option plan

During the 2017 year, the Company entered into a share option plan with staff. In accordance with the terms of the said plan, certain staff are granted options to purchase ordinary shares in the Company subject to vesting conditions under the plan. During the year to 30 June 2018, the Company issued 2,560,000 share options.

During the 2017 year, the Company entered into a share option plan with two of its directors and its chief executive officer. In accordance with the terms of the said plan, the two directors and the chief executive officer were granted options to purchase ordinary shares in the Company subject to vesting conditions under the plan. During the year to 30 June 2017, the Company issued 14,500,000 share options.

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Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipients on receipt of the share options. The options carry no voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry which is the earlier of the termination of services date plus three months or three years from the date of grant.

The following share based payment arrangements were in existence during the year:

Number of options	Grant date	Expiry date	Exercise price	Fair value at grant date
5,750,000	14-Dec-16	14-Dec-19	12.5c	0.72c
5,750,000	14-Dec-16	14-Dec-19	15.0c	0.42c
1,500,000	15-Mar-17	15-Mar-20	12.5c	0.72c
1,500,000	15-Mar-17	15-Mar-20	15.0c	0.42c
1,280,000	1-Jul-17	1-Jul-20	12.5c	0.84c
1,280,000	1-Jul-17	1-Jul-20	15.0c	0.65c

Of the total number of options granted in the 2017 year, 11,500,000 share options vested immediately. Of the remaining 3,000,000 options, which vested in three equal tranches, the first tranche vested on 15 March 2017 and then subsequently on 15 March 2018, with the third tranche vested on 15 March 2019. 2,560,000 share options were issued during the 2018 year, which vested in two equal tranches, on 1 July 2018 and 1 July 2019.

Fair value of share options granted

The share options were priced using the Black-Scholes share options valuation model. At 30 June 2020, the value of the remaining share options amounted to \$13,894 (Prior year: \$84,675).

Inputs into the model	2018	2017
Grant date share price	9.8c	8.9c - 8.4c
Exercise price	12.5c - 15.0c	12.5c - 15.0c
Annualised standard deviation	0.40	0.36
Option life	3 years	3 years
Risk-free interest rate	2.2%	2.3%

Share based payments expenses for the year ended 30 June 2020 was \$nil (2019: nil) and \$70,166 of options were forfeited in the year (2019: \$54,625).

No share options have been exercised as at 30 June 2020.

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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.

	Notes	2020 (\$)	"(Restated per note 26) 2019 (\$)"
Earnings per share			
Net profit for the year		1,727,506	627,472
Number of shares on issue over year	10	288,063,584	288,063,584
Number of share options with dilutive effect			
Number of share options with dilutive effect	10	2,560,000	17,060,000
Total Number of share options with dilutive effect		2,560,000	17,060,000
Basic earnings (loss) per share			
		0.00599696	0.00217824
Diluted earnings per share			
		0.00594414	0.00205645
Net tangible assets per share			
Net assets			
Net assets		40,892,298	43,962,463
Total Net assets		40,892,298	43,962,463
Less:			
Intangible assets	6	3,383,700	3,675,041
Deferred tax	8	2,897,367	3,571,275
Net tangible assets		34,611,232	36,716,148
Number of shares on issue over year	10	288,063,584	288,063,584
Net tangible assets per share		0.12015136	0.12745848

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.

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	Notes	2020 (\$)	2019 (\$)
12. Notes supporting the Statement of Cash Flows			
Net profit (loss) before tax		1,727,506	627,472
Non-cash items			
Depreciation	5, 18	2,437,238	2,373,886
Amortisation of intangible assets	6	291,341	291,341
Written off inventories		–	235,796
Interest expense		85,988	148,513
Impairment of property, plant and equipment	5, 15	56,697	–
Loss on disposal of property, plant and equipment	5	399,542	580,674
Unrealised loss/(gain) on derivatives		1,876,286	(428,213)
Write off convertible notes		–	10,505
Provision for taxation		673,908	90,528
Total Non-cash items		5,821,000	3,303,030
Changes in working capital			
Trade and other payables		337,753	(286,499)
Inventories		(185,892)	111,501
Trade and other receivables		(69,010)	(373,499)
Total Changes in working capital		82,851	(548,497)
Net cash flow from operating activities		7,631,357	3,382,005

Significant non-cash transactions

The movement in term loan liability includes non-cash amortisation of an establishment fee of \$47,845, and accrued interest of \$38,143. The cash outflow from the repayment of the term loan was \$946,154.

The lease liability includes an adjustment of \$219,730 for the initial adoption of NZ IFRS 16. Refer to note 25. The cash outflow from the repayment of the lease liability was \$24,000.

13. Derivative Financial Instruments

Classification of Derivative Financial Instruments

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

The Group has not applied hedge accounting.

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

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

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

	Level 1		Level 2		Level 3	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
Financial assets						
Derivative financial assets (fair value through profit or loss)	-	-	-	428,213	-	-
Financial liabilities						
Derivative financial liabilities (fair value through profit or loss)	-	-	1,448,073	-	-	-

There have been no transfers between levels in the period.

Energy futures and contracts for differences

The Company's primary means of managing electricity price risk is via a variable volume fixed price agreement (VVFPA). This means that 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. Further differences include; ASX futures are sold through the ASX and require margin to be posted whereas CFD's with Gentailer's are sold on an 'over the counter' (OTC) basis and do not require margin.

Interest rate swaps

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

The Company has entered into a \$7.0 million IRS with Bank of New Zealand. This swap matches the repayment and maturity profile of the loan facility (2020 to 2023). The price of the IRS is 2.61%. The carrying value of the IRS at 30 June 2020 is \$76,949 liability (Nil 2019). Refer to note 19 for information on the Term Loan.

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	2020 (\$)	2019 (\$)
Results of the transactions with derivative financial instruments:		
Gain (Loss) on realised derivative financial instruments		
Energy futures		
Net loss on realised energy futures derivatives	–	(4,336,000)
Contracts for difference		
Net (loss) gain on realised contracts for difference	32,003	532,000
VVFPA		
Net gain realised on VVFPA	1,362,086	–
Total Gain (Loss) on realised derivative financial instruments	1,394,088	(3,804,000)
Fair value (loss) gain on unrealised fair value derivative (liabilities) assets	(1,876,286)	428,213
Total Loss on derivative financial instruments	(482,198)	(3,375,787)

The VVFPA has a maturity of 6 months.

	2020 (\$)	2019 (\$)
14. Cash and cash equivalents		
Operating accounts	373,225	562,094
On call accounts	3,362,556	2,285,939
Total Cash and cash equivalents	3,735,782	2,848,033

On call accounts attract interest of 0.20% per annum (Prior year: 1.45%)

15. Te Rere Hau Wind Farm asset impairment

The Group has only one cash generating unit which is the Te Rere Hau wind farm. The 'value in use' method has been used to establish the recoverable value of the assets of the wind farm using a remaining life of thirty 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. 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 has been included in the model. This has not been included previously and has been identified as an omission in prior years. Refer to note 26 for a prior period adjustment in this regard. With the salvage value for land included in the model, the value in use calculation indicated a reversal of impairment of \$639,575 that related to prior periods. This has been recognised in the earliest presented balances of assets and equity, being 1 July 2018. 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 (2019: no impairment of assets).

The details of the key assumptions to the value in use method are set out below.

Electricity price

The wholesale electricity price path used is based on the ASX futures market at 30 June 2020 for the pricing from January 2021 up to June 2023 and thereafter, the latest PricewaterhouseCoopers (PwC) price path, released in July 2020. All prices refer to the Otahuhu price node (OTA).

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The Otahuhu node prices are reduced to allow for location (4.5%) and for the weighted average price received for generation by the wind farm at the connection node Tararua Wind Centre (TWC) as compared with the average spot price (11%). These assumptions have remained consistent for some time but are still validated annually.

The PwC price path is based on the ASX futures curve, short, medium and long term factors, demand, supply, Government policy shifts and decarbonisation. This is updated by PwC annually and forecasts a decline of 6% in long term electricity prices.

Output

Output for the 2020 financial year reached 118.4 GWh (2019: 105.5 GWh). The long term target is set at 117.2 GWh.

Operating costs and capital expenditure

The operating costs and capital expenditure embedded in the model are based off the FY2021 budget, which was based on current year actual costs. This is the best forward looking proxy for operating costs available to the Board.

Mid-life refurbishment

The model assumes a mid-life refurbishment of the turbines is performed when the fleet age is between 20 and 25 years, in 2031. This is expected to allow the existing turbines to operate for a further twenty years up to age range of 40 and 45 years. A substantial part of the cost of the turbine is contained in the structural components such as the tower and blades. These components have an operational life of well in excess of fifty years. Conversely, experience has shown that other major components have operational lives that are less than the twenty year design life of the turbines and these components are being replaced progressively over time. The mid-life refurbishment has been costed out to renew the non-wear turbine components at around \$205k per turbine in 2020 dollars, escalated to 2031 costs. This is consistent with the prior year. This will be revisited in the 2021 financial year.

Land valuation

A salvage value for land has been included in the model. This has not been included previously and has been identified as an omission in prior years. Refer to note 26 for a prior period adjustment in this regard.

Inflation

Inflation is based on the predicted long-term Consumer Price Index. The current rate is 2.00% (2019: 2.00%).

Discount rate

The pre-tax discount rate used in the impairment model is a weighted average cost of capital (WACC) of 7.68% (2019: 8.36%).

Sensitivity to changes in the assumptions

The assumptions set out above have resulted in the value in use in the impairment model indicating an impairment of \$56,697 for the year ended 30 June 2020. However due to the thirty one year time horizon (to FY51) and variability of the metrics upon which the key assumptions are based the valuation is sensitive to any change in the assumptions.

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

Assumption	Additional value (impairment)	Additional value (impairment)
	+1% movement	-1% movement
	\$	\$
Electricity price or output	1,127,400	(1,129,957)
Operating costs	(436,616)	436,616
Capital expenditure	(144,110)	144,110
Mid-life refurbishment	(99,455)	100,440
Discount rate	(4,613,354)	5,641,453

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16. Related party transactions

Key management

Key management personnel includes the Board of Directors, CEO and GM Operations. Key management personnel short term employee benefits, including remuneration to Directors, was \$747,259 during the year (Prior year: \$742,488).

Directors' remuneration

Directors' remuneration of \$298,757 was paid and expensed during the year (Prior year: \$211,146).

17. Capital commitments

The Group had \$801,391 of capital commitments at year end for inventories and property, plant and equipment (Prior year: \$153,879).

18. Leases

In the previous 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. No such leases existed as at 30 June 2019. For adjustments recognised on adoption of NZ IFRS 16 on 1 July 2019, please refer to 'Changes in accounting policies'.

	Notes	2020 (\$)	2019 (\$)
Right-of-Use Assets			
Wind right agreements			
Balance at the start of the reporting period	25	175,112	—
Depreciation		(13,362)	—
Balance at the end of the reporting period		161,750	—
Total Right-of-Use Assets		161,750	—
	Notes	2020 (\$)	2019 (\$)

Lease liabilities

Wind right agreements

Balance at the start of the reporting period	25	219,730	—
Interest expense		12,372	—
Lease payments		(24,000)	—
Balance at the end of the reporting period		208,102	—
Total Lease liabilities		208,102	—

	2020 (\$)	2019 (\$)
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Lease liabilities are made up as follows:

Current portion	12,302	—
Non-current portion	195,800	—
Total Lease liabilities	208,102	—

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	2020 (\$)	2019 (\$)
Amounts recognised in the income statement:		
Interest charges for lease liabilities	12,372	–
Expense relating to leases of low-value (included in Lease and Rental Expenses)	3,164	3,053
Expense relating to variable lease payments not included in lease liabilities * (included in Lease and Rental Expenses)	38,741	77,365

At 30 June 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	3,011	9,291	13,015	43,751	139,034

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

19. Term loan

During the year the Company refinanced its lending for three years to 2023 on improved terms with Bank of New Zealand (BNZ). The loan is subject to normal competitive commercial interest terms and covenants, including interest cover and leverage ratios. The total cost of finance of the loan reflects the 90 day Bank Bill rate plus a margin. As 30 June 2020, the total cost of finance of the loan was the 90 day Bank Bill rate plus a margin, being 1.54% (2019: between 3.68% and 3.87%).

At year-end, the Company's assessment was that it is compliant with all covenants. (Prior year: compliant with all covenants).

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

	2020 (\$)	2019 (\$)
Term Loan		
Current portion	946,154	946,154
Non-current portion	8,946,325	9,870,516
Total loan	9,892,479	10,816,670

20. Financial instruments and Risk management

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

Market electricity price risk

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

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

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

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

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

Concentration of credit risk

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

In the normal course of business, the Group incurs credit risk from transactions with financial institutions and other counterparties e.g. for the sale of electricity. The Group has a Treasury policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures with counterparties have been set and approved by the Board of Directors and are monitored on a regular basis. Financial instruments which potentially subject the Group to credit risk consist of cash, funds on deposit and trade receivables.

The Group places its cash and funds on deposit with approved registered banks with minimum long-term Standard & Poor's credit rating of AA- with limits on the amount of exposure to any one financial institution.

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

The carrying amount of cash and cash equivalents and trade debtors recorded in the financial statements represents the Group's maximum exposure to credit risk.

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

Cash in bank

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

	30 June 2020		30 June 2019	
	Rating	Cash at bank (\$)	Rating	Cash at bank (\$)
Bank of New Zealand	AA-	3,735,782	AA-	2,848,033

Liquidity risk

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

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

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

	Up to 3 months \$	Between 3 and 12 months \$	Between 1 and 2 years \$	Between 2 and 5 years \$	TOTAL \$	Carrying value at reporting date \$
Financial liabilities - 2019						
Trade and other payables	428,754	-	-	-	428,754	428,754
Term loan	335,795	996,386	10,202,182	-	11,534,363	10,816,670
Total	764,549	996,386	10,202,182	-	11,963,117	11,245,424

Interest rate risk

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

An increase in the interest rates by 10 basis points would have increased finance costs by approximately \$9,892 (Prior year:\$11,242). For a decrease in interest rates by 10 basis points there would be an equal but opposite impact on profit and equity.

Capital management

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

Capital allocation in the business is rigorous; investment in turbine components is only undertaken when there is a clear economic case for that investment. This has resulted in a smaller operating fleet in the financial year 2020; low-net-revenue turbines that have been decommissioned short-term due to major component failure will be recommissioned when electricity pricing provides a return on the capital required.

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	Notes	2020 (\$)	2019 (\$)
Financial instrument classification			
Financial assets			
Assets at amortised cost			
Cash and cash equivalents	14	3,735,782	2,848,033
Trade and other receivables	4	1,171,280	1,133,976
Total Assets at amortised cost		4,907,062	3,982,009
Assets at fair value through profit or loss			
Derivative asset	13	–	428,213
Total Assets at fair value through profit or loss		–	428,213
Total Financial assets		4,907,062	4,410,221
Financial liabilities			
Liabilities at amortised cost			
Trade and other payables	9	446,948	691,565
Insurance Premium Finance		91,132	–
Lease liability	18	208,102	–
Term loan	19	9,892,479	10,816,670
Total Liabilities at amortised cost		10,638,662	11,508,235
Liabilities at fair value through profit or loss			
Derivative liability - VVFP	13	1,371,123	–
Derivative liability - Interest rate swap	13	76,950	–
Total Liabilities at fair value through profit or loss		1,448,073	–
Total Financial liabilities		12,086,735	11,508,235

21. Segment analysis

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

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

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

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

22. Significant events subsequent to reporting period end

On 1 July 2020, all outstanding share options were forfeited.

The Directors resolved on 26 August 2020 to declare a final FY2020 dividend of 0.70 cents per share, payable on 22 September 2020.

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

Refer to note 24 for information on the impact of COVID-19.

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23. 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.

24. COVID-19 impact

Operational assets provide an 'essential service' and therefore have not been subject to lockdown restrictions. In addition, appropriate protective measures against the spread of COVID-19 were put in place and all staff and suppliers have been kept safe. The Group has not experienced any material impact attributable to COVID-19. Revenue from electricity generation from current operating assets is covered by a variable volume fixed price agreement through to December 2020 with a strong New Zealand based counterparty, producing healthy cashflows which are resilient to short term market fluctuations.

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

25. Effects of changes in accounting policies

The Group adopted NZ IFRS 16 and NZ IFRIC 23 with a transition date of 1 July 2019. The Group has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 July 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and interpretations issued by the NZ ASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

NZ IFRS 16 Leases

Effective 1 January 2019, NZ IFRS 16 has replaced NZ IAS 17 Leases and NZ IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

NZ IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. NZ IFRS 16 substantially carries forward the lessor accounting in NZ IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

Transition method and practical expedients utilised

The Group adopted NZ IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under NZ IAS 17 and NZ IFRIC 4 were not reassessed. The definition of a lease under NZ IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

NZ IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17:

- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if NZ IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under NZ IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

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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 of ownership. Under NZ IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of NZ IFRS 16, the Group recognised right-of-use assets and lease liabilities as follows:

Operating leases

Right-of-use assets

Wind right agreements: the carrying value that would have resulted from NZ IFRS 16 being applied from the commencement date of the leases.

Lease liabilities

Measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019.

The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 5.8%.

Finance leases

Measured based on the carrying values of the lease assets and liabilities immediately before the date of initial application. The Group had no finance leases at the initial adoption date of NZ IFRS 16, 1 July 2019.

The following table represents the impact of adopting NZ IFRS 16 on the statement of financial position as at 1 July 2019:

	Adjustments	30 June 2019 as originally presented (\$)	NZ IFRS 16 (\$)	1 July 2019 (\$)
Assets				
Right-of-use assets	(a)	-	175,112	175,112
Liabilities				
Lease liabilities	(b)	-	(219,730)	(219,730)
Equity				
Retained earnings	(c)	(63,766,787)	44,618	(63,811,405)

a) The adjustment to right-of-use asset relates to the capitalisation of the operational leases.

b) The following table reconciles the minimum lease commitments disclosed in the Group's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019.

	\$
Operating lease commitment at 1 July 2019	955,889
Adjustment for variable payment component of wind right agreements that do not meet the definition of a lease as per NZ IFRS 16	(635,389)
Effect of discounting lease commitments	(100,770)
Lease liability recognised at 1 July 2019	219,730

c) Retained earnings were adjusted to record the net effect of other adjustments noted.

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2020

26. Prior period adjustment

During the year, the Board has identified that the land salvage value had previously been excluded from impairment considerations and calculations (refer note 15). 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. The salvage value of the land excludes the expected cash flow benefits from holding the land for the remainder of the life of the windfarm asset. This has been recognised in the earliest presented balances of assets and equity, being 1 July 2018.

The effect of the restatement on the Group's earliest prior period impacted is summarised below. There was no cash flow effect resulting from the change.

1 July 2018 (\$)

Impact on the Consolidated Balance Sheet as at 30 June 2018, restatement applied 1 July 2018

Non-current assets

Property, plant and equipment as previously stated	44,614,339
Reversal of impairment	639,575

Restated Property, plant and equipment	45,253,914
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Equity

Retained earnings as previously stated	(63,008,564)
Reversal of impairment	639,575

Restated Retained earnings	(62,368,989)
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The above restatement has had no impact on the Statement of Comprehensive Income, Basic and Diluted earnings per share for the year ended 30 June 2019.

Net Tangible Assets for the year ended 30 June 2019 has changed from \$0.12523618 per share to \$0.12745848 per share.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NZ WINDFARMS LIMITED

Opinion

We have audited the consolidated financial statements of NZ Windfarms Limited ("the Company") and its subsidiaries (together, "the Group"), which comprise the consolidated balance sheet as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matter

How The Matter Was Addressed in Our Audit

Te Rere Hau wind farm asset impairment

The Group is required to assess at the end of each reporting period whether there is any indication that the wind farm assets may be impaired. If any such indications exists, the Group will estimate the recoverable amount of the assets.

Management derives the recoverable amount from a value in use calculation.

We have identified the calculation of the recoverable amount as a significant risk to our audit as the key inputs and assumptions are subject to significant Management judgement and estimation uncertainty.

Refer to Note 15 (Te Rere Hau Wind Farm asset impairment) of the financial statements.

- We have obtained Management's value in use calculation and have evaluated the key inputs and assumptions to consider if Management's calculation is within an appropriate range. The key inputs included future electricity prices, generation volumes, operating costs, capital expenditure (including mid-life refurbishment costs), inflation rate, discount rate, and useful life of the wind farm assets.

- We have engaged our internal valuation experts to review the mechanics of the value in use calculation against valuation industry techniques, and the discount rate used.

- We have reviewed the prior period restatement recognised as a result of the inclusion of a salvage value for land in the model. Salvage land had not been included previously and has been identified as an omission in prior years. This resulted in a

(Continued)

prior period adjustment, which led to the reversal of previous impairment losses of \$639,575.

- We have compared the carrying value of the assets to the recoverable amount determined by the impairment test to identify any impairment losses or reversals of previous impairment losses. The test identified an impairment loss of \$56,627 for the year ended 30 June 2020, which has been recognised to profit or loss.
- We have reviewed disclosures in the financial statements, including sensitivity analysis and prior period restatement, to the requirements of the accounting standard.

Key Audit Matter

How The Matter Was Addressed in Our Audit

Recoverability of deferred tax asset

The Group continues to recognise a deferred tax asset predominantly on tax losses carried forward.

The recoverability of the deferred tax asset involves judgement by Management about the probability of future taxable profits being sufficient to offset the tax losses and the tax losses meeting the shareholder continuity rules.

The Group prepares detailed forecasts for the taxable profits expected to be generated from the wind farm over its life. The key inputs and assumptions to the forecast are subject to significant Management judgement and estimation uncertainty, and the extent to which a deferred tax asset should be recognised on the losses is subject to Management judgement.

Refer to Note 1 (income tax expense) and Note 8 (deferred tax) of the financial statements.

- We have reviewed Management's deferred tax calculation and agreed the inputs to supporting documentation, including the loss of shareholder continuity calculation.

- We have obtained Management's forecasts for taxable profits and critically evaluated the key inputs and assumptions. These included future electricity prices, generation volumes, operating costs, capital expenditure (including mid-life refurbishment costs), inflation rate, discount rate, and useful life of the wind farm assets.

- We have evaluated Management's assessment that there is a reasonable basis that the Group will be able to generate sufficient taxable profits to utilise the deferred tax asset recognised.

Other Information

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

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

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

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

This description forms part of our auditor's report.

Who we Report to

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

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

BDO Auckland

BDO Auckland
Auckland
New Zealand

28 August 2020

Directory

Directors

John Southworth (Chairman)

Patrick Brockie

Philip Lennon

Mark Evans

Leadership Team

Warren Koia (Chief Executive Officer)

Adam Radich (General Manager Operations)

Registered office

376 North Range Road
RD 1
Palmerston North 4471

Share registry

Link Market Services Limited
Level 11, Deloitte Centre
80 Queen Street
Auckland, 1010

Auditor

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



NZ Windfarms Ltd
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