NZ Windfarms Ltd
POWERED BY NATURE

Annual Report

For the year ended
30 June 2023

Management commentary
(no financial statements)

Management commentary
(no financial statements)

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Management commentary
(no financial statements)

Purpose

Empowering Sustainable Communities

Values

Honesty

Integrity

Trust

Innovation

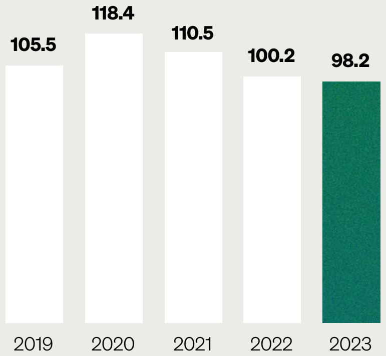
Manākitanga, and

Enjoyment.

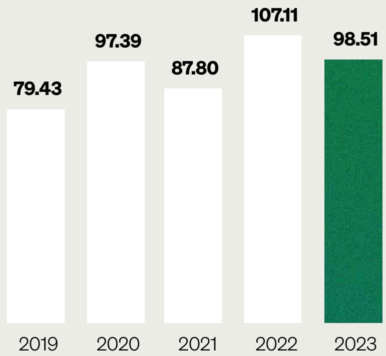
NZ Windfarms Limited

Financial Overview

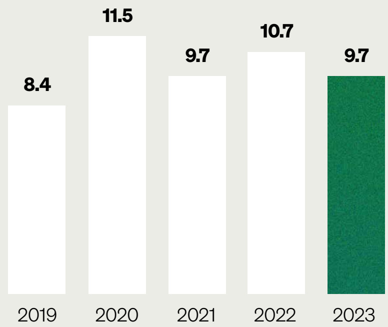
Generation (GWh)



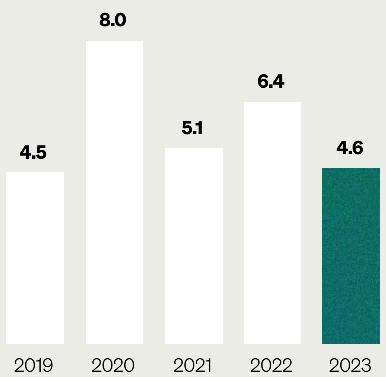
NET Electricity Price
(GWAP $MWh)



NET Electricity Sales
($M)

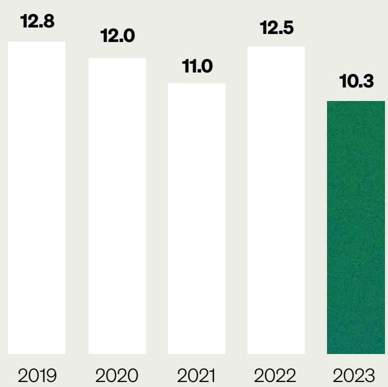


EBITDAF ($m)

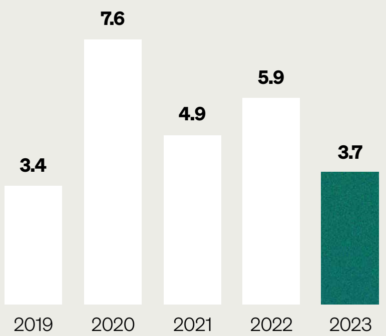


NPAT ($M)

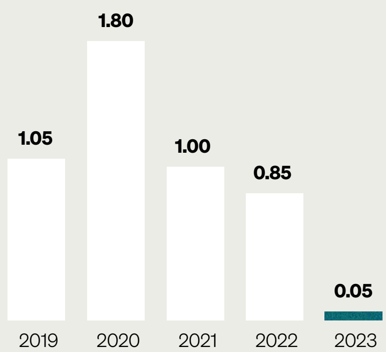
NTA (CPS)



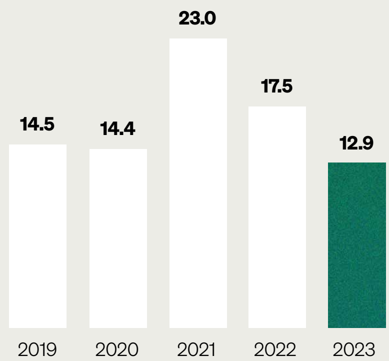
Operating Cash Flow ($m)



Gross Dividends (cps)



Share Price (CPS) at 30 June



Management commentary
(no financial statements)

NZ Windfarms Limited

Chair's Review

Dear Shareholders

A Year of Transition-Summary

This year your board of directors and management have focussed on improvements to the business; while simultaneously advancing our repowering strategy - consenting and partnering. Simply put, the focus on the former enables the execution of the latter.

The operational outcomes of the business in the 2023 financial year mitigated challenging market conditions. Despite a near 50% fall in average annual spot electricity prices our net revenue only fell 9.9% compared to FY22 revenues due to our VVFPA hedging programme.

Additionally, EBITDAF fell 27% compared to FY22 due to the above and inflationary pressures on the Company. However, the EBITDAF outcome was within guidance provided to the market at mid-year. Operating cash flows were also affected by non-recurring repowering expenses. The Company continued to reduce its outstanding bank debt.

The Board also continues to assess the value of its cash generating assets-the existing turbine fleet. This year the net present value of future cashflows declined relative to carrying book value leading to an impairment of the assets of the business of $7.8m. While this impairment is a non-cash technical accounting adjustment under IFRS, it does highlight that the existing turbine fleet has a finite remaining economic life (estimated to be until FY36).

Against this challenging background I am pleased to say that our transition strategy to a repowered wind farm was further advanced in the financial year. Your company was granted a fast-track resource consent for up to 30 new turbines on the Te Rere Hau wind farm. In addition, an expansion of the wind farm enabling nine new turbines- the Aokautere Extension- was successfully referred to the fast-track consenting process. The intangible value of these consents and the intellectual property gained from their approval now needs to be monetised.

While no decisions have yet been made, directors acknowledge that financing any proposed repowering will require careful deployment of our working capital, strong commercial partnerships, and your support.

The Context

Our confidence to invest for the future is supported by the strong renewable energy tailwinds that exist for our business. The need to transition to a low-emissions economy is locked into government policy. While more than 80% of the country's existing electricity generation is renewable, total energy supply from renewables is only around 40%.

As we convert the powering of transport, buildings and industry to renewable electric power, additional generation capacity will have to be renewable electricity.

This is the context in which the assets and talents of our company can be maximised. In addition to our own portfolio of assets, our expertise and proven track record in planning, consenting and building wind generation positions the company extremely well for the significant energy transition that lies ahead for the country.

We are responding to this opportunity. Firstly, we are accelerating our own renewable electricity generation capability with the option to repower Te Rere Hau already consented. We have sought expressions of interest from partners to help us re-power our wind farm, and we will share with shareholders further detail on this as we finalise commercial agreements. Secondly, we are exploring other projects with partners by which we can leverage our intellectual property and expertise to help bring on renewable electricity generation more quickly.

Funding our consent applications and developing our commercial partnerships amounts to a period of

Management commentary
(no financial statements)

The intangible value of these consents and the intellectual property gained from their approval now needs to be monetised.

While no decisions have yet been made, directors acknowledge that financing any proposed repowering will require careful deployment of our working capital, strong commercial partnerships, and your support.

investment by the company. For this period, we will transition from an historical focus on dividends to investment for growth. The time to act, and to move quickly, is now.

Policy Settings and NZ Windfarms role

We want the fast-track consenting process, under which we obtained our re-powering consents, to be retained into the future. We secured these consents in around 21 months, still too long, but better than the estimated five years it might have taken under traditional RMA pathways. If New Zealand is to achieve a low-carbon energy system, we need to be able to bring on renewable generation quickly. Government policy – including the ETS and its emissions reduction policy – supports this transition. What is needed is for the government to set policy and then allow market signals to allocate resources efficiently.

New Zealand has obligations to achieve emissions reduction targets under the Paris agreement. If NZ fails to make this transition by 2030, the taxpayer cost to the country of purchasing foreign carbon credits will be prohibitive. This is a serious exposure for our economy, and we need to move quickly.

NZ Windfarms is well-positioned to play a critical role in New Zealand's energy transition, and we are actively exploring a range of opportunities. Ours is a unique position as an independent listed company. We have established our credibility and track record with respect to planning, consenting, building and managing renewable wind farm generation in the NZ environment.

As well as generating more from our existing assets, and re-powering and expanding Te Rere Hau, we know we can apply our skills, knowledge and expertise to accelerate new renewable electricity supply.

As a company at the forefront of ESG investment in New Zealand, we are well positioned to take advantage of the very significant changes ahead for the country's energy sector, founded on increased electrification, using renewable generation. We are the first wind farm consented to re-power, and will be at the forefront of utilising next generation wind technologies in this country.

Appreciation

On behalf of the Board, my thanks to departing board member Mark Evans for his contribution to the company over many years. Thanks, too, to my fellow directors, and to our management and staff at NZ Windfarms whose culture, particularly its focus on health, safety and wellbeing, plays a big part in achieving excellence in what we do.

Thank you for your ongoing support for the company, and we look forward to working with you in the year ahead as we move into this new phase of growth.

Thank you

Craig H. Stobo
Chair

NZ Windfarms Limited

Chief Executive Officer’s Review

Dear Shareholders

Greetings | Kia ora koutou katoa

Overview

The main highlight of the year was the successful attainment of a fast-track resource consent, paving the way for potentially repowering the Te Rere Hau wind farm with up to 30 new, larger, three-bladed wind turbines. Repowering the Te Rere Hau wind farm could position it as an onshore wind farm with an estimated capacity factor between 48% to 51% (compared to our current fleet capacity factor of ~25%). Average annual energy production could increase substantially from 100 to 120 GWh to between 530 GWh and 570 GWh. The Company is currently advancing confidential commercial negotiations for the repower.

Additionally, we have identified an opportunity for further expansion of the repowered wind farm with nine additional turbines through the Aokautere Extension project. This could add up to an additional 170 GWh to the production potential of the repowered wind farm. (ie up to 740 GWh in total). This project has been successfully referred to the fast-track consenting pathway, and we are currently progressing the resource consent application. Our intention is to submit the second fast-track consent application by the end of October 2023, with a consenting decision possible in Q1 2024. If successful, this will be incorporated into the repower.

We have secured land rights to build an alternative higher capacity grid connection option. We are in advanced discussions with Transpower on the grid connection requirements.

Operational performance declined compared to the prior period, as a result of difficult market conditions marked by lower than usual wind conditions, volatile and depressed spot electricity prices and stubbornly high inflation. Our VVFPA (Variable Volume Fixed Price Agreement) program was instrumental in partially shielding the Company from the full impact of these market conditions.

The main highlight of the year was the successful attainment of a fast-track resource consent, paving the way for potentially repowering the Te Rere Hau wind farm with up to 30 new, larger, three-bladed wind turbines.

[1] Net electricity revenue – electricity sales plus realised gain/(loss) on derivatives.

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

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

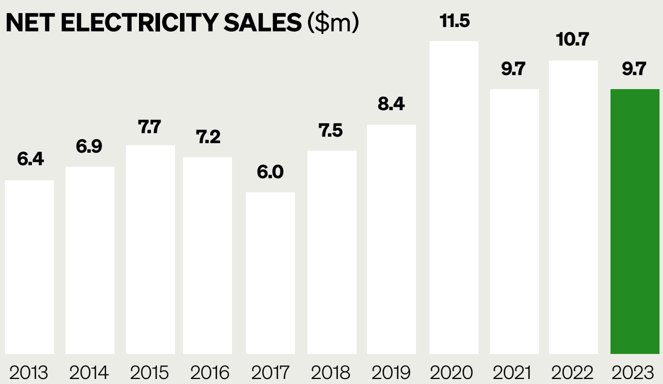
[4] EBITDAF - Earnings before interest, tax, depreciation, amortisation, and fair value adjustments. EBITDAF is a non-GAAP measurement. The Company utilises EBITDAF to provide shareholders with a view of underlying operational earnings on a like-for-like basis over time. EBITDAF is a common measure utilised by listed companies. Please note NZ Windfarms definition may be different to others in the market.

Key Financial Metrics

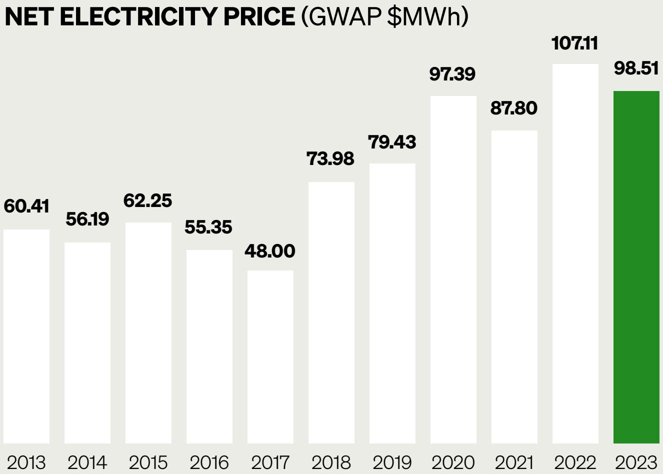
The following are our key financial metrics:

- **9.9%** decrease to Net Electricity Revenue[1] (including realised derivatives) of $9.7m (2022: $10.7m)
- **8.0%** decrease to Net Electricity Price GWAP[2] of $98.51 MWh (2022: $107.11 MWh)
- **37.0%** decrease in Operating Cash Flow[3] of $3.7m (2022: $5.9m)
- **27.5%** decrease in EBITDAF[4] of $4.6m (2022: $6.4m) and within guidance range.
- Impairment (required by NZ IFRS) of -$7.8m (2022: +$2.8m impairment reversal)
- **200%** decrease in Profit Before Tax (EBT) to -$7.2m (2022: $7.2m) (this includes the impact of the $7.8m impairment)
- **203%** decrease in Net Profit After Tax (NPAT) to -$5.3m (2022: $5.2m)
- Total (unimputed) Dividends of 0.05 cps (2022: 0.83 cps)
- Dividends paused to fund strategic growth workstreams (see later discussion)

NET ELECTRICITY SALES ($m)



NET ELECTRICITY PRICE (GWAP $MWh)



Repowering the Te Rere Hau wind farm could position it as an onshore wind farm with an estimated capacity factor between 48% to 51% (compared to our current fleet capacity factor of ~25%).

Successful Fast-Track Consent Approved and Potential Repower

This year has been significant for the Company in enhancing future shareholder value. We have progressed our strategy, unlocking growth potential through successfully gaining consents for repowering Te Rere Hau.

Repowering the Te Rere Hau wind farm could position it as an onshore wind farm with an estimated capacity factor between 48% to 51% (compared to our current fleet capacity factor of ~25%). Average annual energy production could increase substantially from 100 to 120 GWh to between 530 GWh and 570 GWh.

The introduction of new turbines also promises benefits such as noise reduction, visual uniformity, and improved reliability, benefiting the community both during construction and throughout the wind farm's operational life.

The Company is currently advancing confidential commercial negotiations for the repower. While the consent for repowering represents an important step, final decisions on funding structures have yet to be made and will be reached in consultation with shareholders.

It is essential to recognise that this project focuses on repowering, setting it apart from new greenfield projects. With the site already functioning as a wind farm, our familiarity with its geotechnical intricacies, wind resource, pre-existing road infrastructure, and reusable assets all provide a competitive edge in terms of cost and time. These factors also reduce construction and developmental risks compared to starting greenfield projects.

We are in advanced discussions with Transpower on the grid connection requirements of a new and higher capacity grid connection as part of pursuing grid connection options to repower and extend the TRH wind farm. The land rights for the transmission corridor have been secured and are conditional on the final grid connection study outcome.

Management commentary
(no financial statements)

Aokautere Extension Project

We have identified an opportunity for further expansion of the repowered wind farm with nine additional turbines through the Aokautere Extension project. This could add up to an additional 170 GWh to the production potential of the repowered wind farm (ie up to 740 GWh in total). The Aokautere Extension offers economies of scale during planning, construction, and operational phases.

This project has been successfully referred to the fast-track consenting pathway, and we are currently progressing the resource consent application. Our intention is to submit this fast-track consent application by the end of October 2023, with a consenting decision possible in Q1 2024. If successful, this will be incorporated into the repower. More information is available on our website www.nzwindfarms.co.nz/extension.

Most of the expenses associated with the pursuit of the TRH repower and Aokautere extension projects are capitalised to the balance sheet under capital work in progress. However, $0.5m of costs mostly attributed to the expression of interest process, to select a preferred partner, have been categorised as operating expenditure. All of these costs are excluded from EBITDAF calculations.

We are in advanced discussions with Transpower on the grid connection requirements of a new and higher capacity grid connection as part of pursuing grid connection options to repower and extend the TRH wind farm.

Revenue, Generation, TRH Operating Expenditure, Availability and EBITDAF performance

The year was notable for record hydro inflows. This resulted in more hydro generation and very little thermal generation compared to the prior period and this led to lower spot wholesale pricing. In addition, the entire country had lower wind flows for the year impacting wind generation across the industry including Te Rere Hau wind farm.

Despite lower than usual wind conditions, volatile and depressed spot wholesale electricity prices, stubbornly high inflation, our operational performance has benefited from our VVFPA (Variable Volume Fixed Price Agreement) program which partially shielded the Company from the impact of these market conditions.

As intended, our VVFPA programme partially shielded revenues as average annual spot electricity prices $55.96 MWh (2022: $107.65 MWh) were extremely volatile and depressed during the year. In December 2022, the Company recorded its lowest average monthly spot price on record at $6.26 per MWh.

Net Electricity Price GWAP at $98.51 MWh (2022: 107.11 MWh) and generation of 98.2GWh (2022: 100.2GWh) were both down on last year, prompting a downward revision to EBITDAF guidance at mid-year to $4.1m to $5.2m. FY23 EBITDAF of $4.6m was within the revised guidance range (2022: $6.4m).

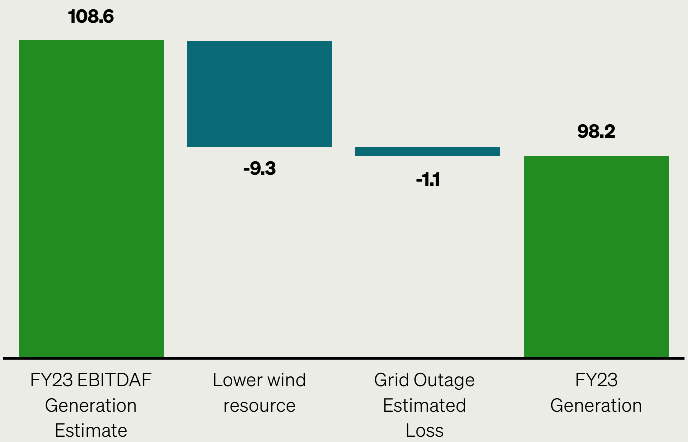
EBITDAF WATERFALL CHART FOR FY23 ($m)

In FY23 TRH operating expenditure[5] increased 14.2% to $5.1m (2022: $4.4m). Notwithstanding tight cost discipline the Company was not immune to the material inflationary environment.

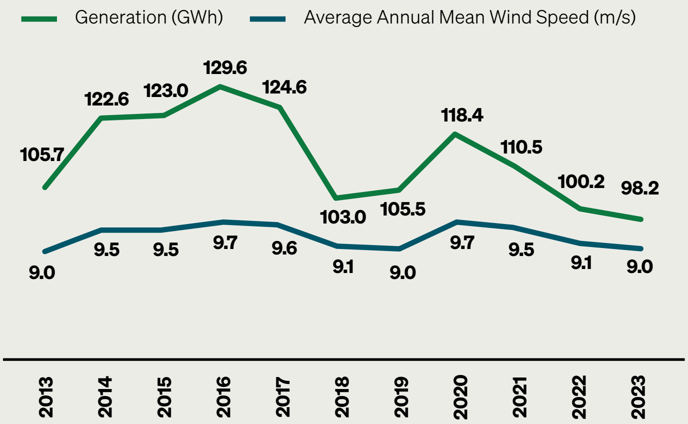
Availability was lower at 95.5% (2022: 97.3%), which is above our OEM benchmark of 95.0% but below the industry benchmark of 97.0% (2022: outperformed). The drop in availability reflected tight labour market conditions and supply chain disruptions in the first half of the financial year. These factors have now returned to normal.

A series of Transpower outages amounting to five days during the year, reduced generation potential by an estimated 1.1 GWh (2022: no Transpower outages).

GENERATION WATERFALL CHART FOR YEAR ENDING 30 JUNE 2023 (GWh)



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



Variable Volume Fixed Price Agreement (VVFPA) and Interest Rate Derivatives

Derivatives relate to the accounting treatment of the VVFPA's and our fixed interest rate swaps. The Company continued to benefit from our hedged electricity and interest rate positions. Partially fixing forward electricity prices as well as benefiting from a favourable interest rate swap enabled us to take a prudent approach to managing our expenditure, including the management and maintenance of our turbine fleet.

Realised derivative gains of $4.18m (2022: realised loss of $0.05m) were a result of the VVFPA price levels being materially higher on average than the realised spot electricity prices and the fixed interest rate levels being lower than prevailing floating interest rates. The electricity price hedge ratio is 67% in FY24 and 41% in FY25. Interest rate swaps have been renewed at market levels in May 2023 at an estimated net debt exposure of 50% for a period of one year.

The unrealised derivative gain from both VVFPA's and interest rate swap was recognised again as revenue this year. The unrealised derivative gain of $1.9m represents the positive difference between the opening mark to market balance sheet derivative liability of $4.2m and the closing balance derivative liability of $2.3m. These mark to market balance sheet values are liabilities because the forward VVFPA price levels were below market observable prices (with adjustments) as at 30 June 2023. The interest rate swap mark to market balance was immaterial.

Partnerships, Mana Whenua and Other Strategic Growth Work Programmes

Our partnerships with mana whenua, customers, suppliers, consultants, contractors, and local communities continues to be a key feature of our operation. These valuable existing partnerships enabled early-stage discussions for our consenting and planning of our expansion, including beyond our existing portfolio of assets. We want to record our appreciation of the support of our partners.

[5] TRH Operating Expenditure = Total Operating Expenses – impairments – loss on property, plant and equipment – loss on derivatives – repowering consultation expenses (non-recurring expenses)

Management commentary
(no financial statements)

Asset Management Plan, Fleet Size, and Farm Output

The Asset Management Plan (AMP) takes a comprehensive and long-term view of our infrastructure assets, incorporating risk and return frameworks to ensure the provision of appropriate service levels and the maintenance of specified asset condition levels. The AMP forms the foundation for our assumptions regarding remaining useful life and enables us to create long-term forecasts for both operating and capital expenditure. As part of this, we conduct routine non-destructive testing (NDT) on towers, foundations, and blades, employing a sampling approach to assess remaining useful life. This information guides any necessary intervention or management strategies to ensure optimal asset performance.

The AMP framework was utilised to determine the need to decommission a WF500 turbine during the year. The operational fleet size is now 91 turbines (2022: 92 turbines) and maximum farm output is 45.5 MW (2022: 46.0MW).

Impairments – Non-Cash Adjustments

The Company's annual impairment test compares the net present value (NPV) of future cashflows of the Company (adjusted to remove non-cash generating assets) against the combined carrying book value of property, plant and equipment and right of use of assets.

The NPV calculation is sensitive to certain assumptions including the calculation period, the forward electricity price path and weighted average cost of capital (WACC). PwC continue to be engaged by the Company to provide the forward electricity price path and updated WACC estimates.

Rolling forward the prior year impairment model to this current year resulted in the removal of the prior initial year of forecast cash flow (FY23) from the NPV calculation. This was the largest contributor to the calculated impairment result.

PwC have lowered their medium to long term forecast electricity price path based on their view of prices required for new generation. This was the key driver of an adverse change to the remaining optimal economic life assumption for the current turbine fleet which reduced to FY36 (2022: FY41).

PwC have estimated WACC (post-tax) to have increased to 7.66% from 6.74% (2022) mainly due to the increase in interest rates. The NPV calculation applies the equivalent pre-tax WACC as the discount rate input to apply to future pre-tax cashflows.

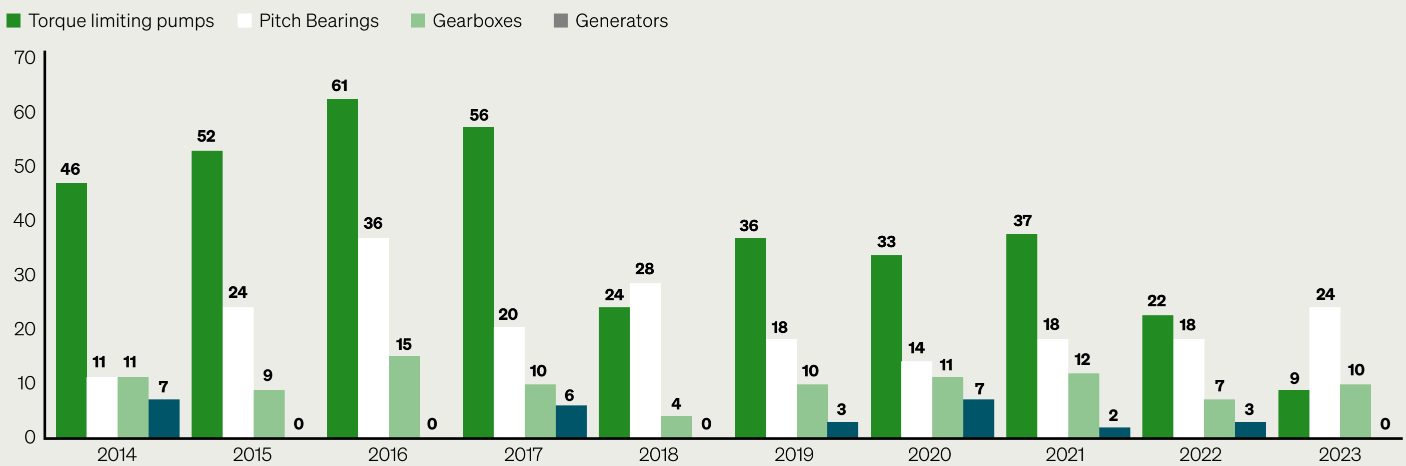
Under the impairment test, the capitalised investment in the repower project resource consent totalling $2.7m is effectively not attributed any value which increases the impairment.

These assumptions resulted in a reduction in the NPV of forecast cash flows and an increase in the carrying book value of assets assessed in the impairment test which when compared resulted in an impairment of $7.8m for FY23 (2022: reversal of impairment +$2.8m).

Key Component Replacements

The accompanying chart highlights the key components replaced over the last ten years. Improvements made to our asset management plans and annual maintenance programme over the last three years are providing benefits. Capital expenditure was below budget this year.

KEY COMPONENTS REPLACED



Pause to Dividends

Funding our consent applications and developing our commercial partnerships represents a period of investment by the Company to secure future returns to create value for shareholders. For this period, we will transition from a historical focus on dividends to investing for growth. For this reason, the Board decided to pause dividends.

Dividends for the FY23 year were 0.05 cps (2022: 0.83 cps).

Bank Funding and Capital Structure

Near the end of the financial year the Company negotiated a change to its lending agreement to a cash offset facility (similar to a revolving credit facility). This allows the Company to apply surplus cash to decrease net interest payments and thus improve interest coverage ratio headroom as interest rates increase. The balance of commercial terms are the same.

We fixed 50% of our forecasted interest rate exposure for 1 year commencing in July 2023 at 7.77% pa, which is higher than the recently concluded favourable 2.66% pa swap obtained in 2020 when interest rates were lower. The remaining exposure is on a floating rate.

Total bank debt at the end of FY23 decreased to $7.6m (2022: $8.3m) with $0.9m headroom available on the facility to draw down if required. Net debt is $6.0m (2022: $6.6m) and net debt to EBITDAF is 1.29 times (2022: 1.03 times).

The Company remains compliant with all its debt covenants (2022: Compliant).

Company Purpose and Values

During the year the Company established its Purpose and Values through a collaborative process, involving inputs and perspectives from all levels of the organisation and external stakeholders. The Company's Purpose and Values will serve as guiding principles for decision-making and will set the tone for the Company's future operations.

Purpose: Empowering Sustainable Communities.

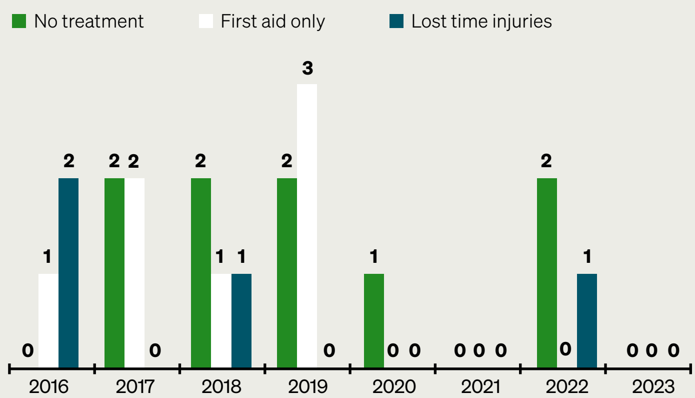
Values: Honesty, Integrity, Trust, Innovation, Manākitanga and Enjoyment.

Health, Safety, & Wellbeing and Staffing

The health, safety and wellbeing of our people is always a key focus for the Board. We had zero recordable lost time injuries during the year under review (2022: One). This is commendable given the high-risk environment we operate in, with heavy machinery, testing weather conditions, and working at heights in a remote location. We will continue to do everything we can to ensure the safety of our people and to nurture our strong health and safety culture.

As a relatively small team, the continuity demonstrated in key roles is a strength for the Company. At the end of the financial year, we promoted one staff member internally to the position of Senior Mechanical Wind Turbine Technician. We survey staff members periodically to gauge, engagement, fairness & inclusion, culture and wellbeing.

HEALTH AND SAFETY METRICS



Management commentary
(no financial statements)

FY24 EBITDAF Guidance and Company Outlook

Based on our forecasts for FY24, we estimate our EBITDAF to be in the range of $3.0m - $4.5m.

The FY24 EBITDAF guidance range is based on an annual production level of 106 GWh, which is a higher confidence estimate based on a blend of annual averages and an independent determination of P75 AEP. This is more conservative than the P50 AEP of 116.2GWh (91 x WF500 turbines) adopted for impairment testing purposes (refer to note 15 for the basis of this input). Shareholders can monitor actual unaudited financial year to date production data on the company's website www.nzwindfarms.co.nz

The Company's Electricity Price Hedging Policy provides the flexibility to hedge between a minimum hedge level and 100%, for the next 24 months, enabling a more proactive approach to managing electricity price risk. The Company's estimated operating expenditure and principal and interest payments will determine the minimum hedge ratio to apply.

The Company is 67% hedged for FY2024 and 41% hedged for FY2025. We will progressively move to fill out the balance of the 24 month ahead period as market conditions allow.

The net electricity price for FY2024 is estimated at $92.50 per MWh. This is a blended price of VVFPA prices and estimated electricity spot prices based on ASX futures prices and adjusted for location and intermittency factors and weighted by monthly production estimates and hedge ratios.

Short term forward electricity prices reflect the relatively full hydro lake levels at present. Medium to long term forward electricity prices have remained elevated likely as a result of higher inputs into thermal generation and market pricing indicating the likelihood of Tiwai point aluminium smelter operations continuing beyond the current electricity contract end date.

EBITDAF guidance is provided on the basis of information available at this time, and may be subject to variations, including climatic and other conditions outside the Company's control. Forward electricity generation is based on a mix of recent annual averages and an independent expert's determination of P75 generation adjusted for relevant factors. However, wind generation is inherently variable from one year to the next.

The Company is focused on four key workstreams this year. Firstly, to continue to sustainably operate the existing fleet of turbines and continue to meet EBITDAF guidance expectations. Secondly, to agree commercial terms with a preferred partner and then present these to shareholders for consultation. Thirdly, to successfully obtain consent for the Aokautere Extension Project. Lastly, continue to pursue strategic growth opportunities beyond the Te Rere Hau wind farm.

> We have demonstrated our ability to run the core business, consent a major renewable energy project, and to run a highly contested expression of interest process to identify a preferred partner.

Summary

The transition to renewable energy and a low emissions economy offers enormous opportunity for the company in the coming years, but the year ahead will not be without its challenges. We will continue to manage the tail end of inflationary conditions and continue to manage electricity price volatility. Weather patterns will continue to influence wind flow and hydro lake levels which will create price volatility.

Despite these challenges, we have demonstrated our ability to run the core business, consent a major renewable energy project, and to run a highly contested expression of interest process to identify a preferred partner.

We have made considerable progress, with a dedicated team, over a short period of time. The team has developed significant intellectual property that can be replicated to future strategic growth work streams. We will continue to find ways to deliver value for our shareholders and we look forward to the opportunities ahead.

Thank you for your continued support.

Ngā mihi nui | Thank you

Warren Koia
Chief Executive Officer

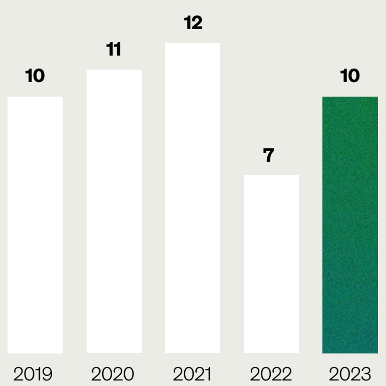
Management commentary
(no financial statements)

Management commentary
(no financial statements)

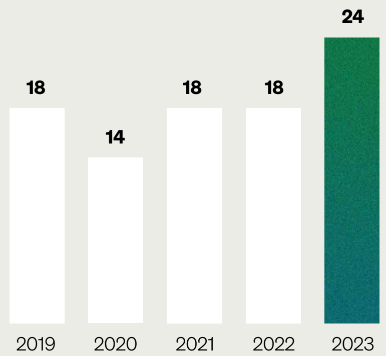
NZ Windfarms Limited

Operational Overview

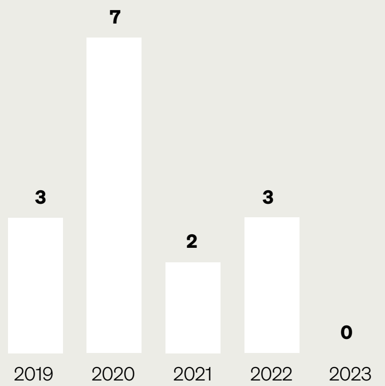
Gearboxes Replaced



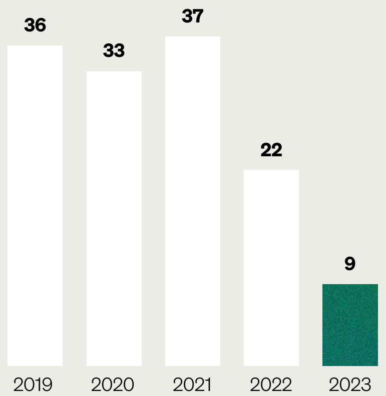
Pitch Bearings Replaced



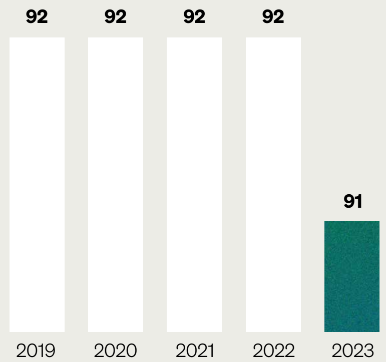
Generators Replaced



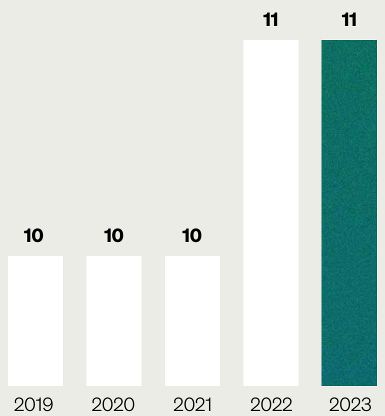
Torque Limiting Pumps Replaced



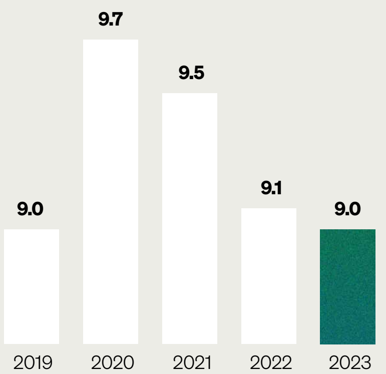
Operational Turbine Fleet



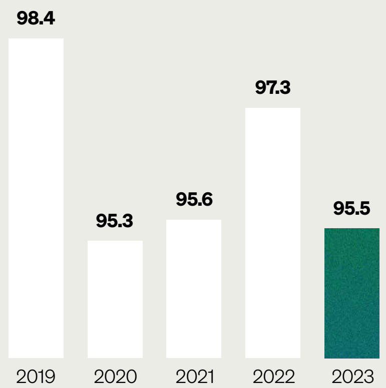
Staff Numbers



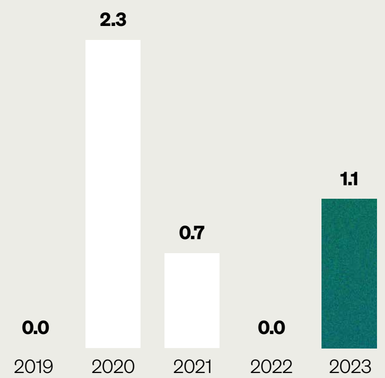
Average Annual Mean Wind Speed (m/s)



Availability (%)



Grid Outage Foregone Generation (GWh)

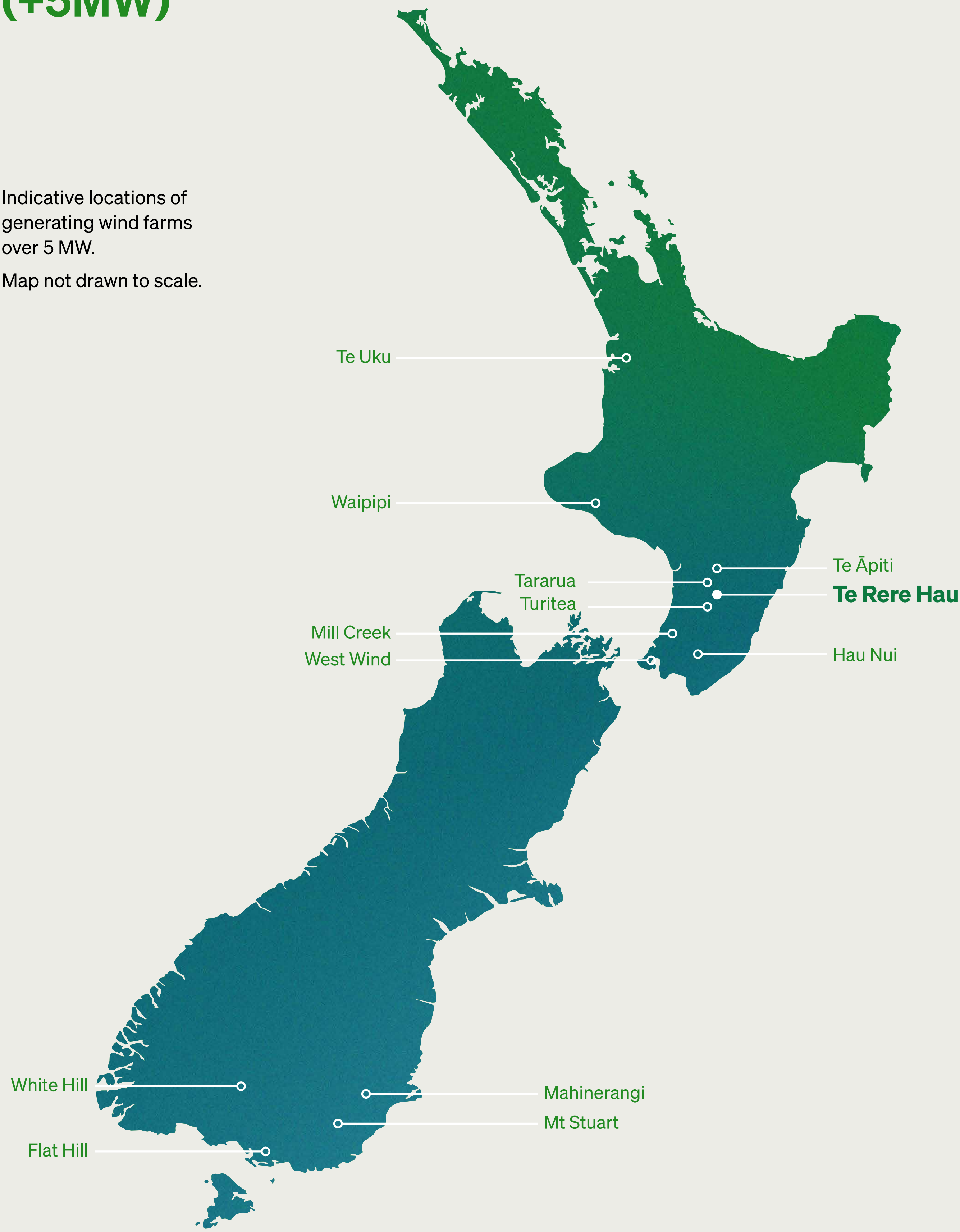


Management commentary
(no financial statements)

Wind Farm Locations
(+5MW)

Indicative locations of generating wind farms over 5 MW.

Map not drawn to scale.



NZ Windfarms Limited

Director Profiles

The Directors of NZ Windfarms Limited are:

Craig Stobo
Independent Chair

Craig was appointed to the Board in February 2022 and has been Chair since then. He is an independent director and does not hold any shares in the Company.

Craig is a commercially minded entrepreneur who co-launched BT Funds Management, Elevation Capital and the Local Government Funding Agency. He is a former investment banker and CEO. He is also currently Chair of NZX-listed company Precinct Properties NZ Ltd, and remains the inaugural Chair of the Local Government Funding Agency.

Craig is a member of the Remuneration & Nomination Committee.

Patrick Brockie
Independent Director

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

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

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

Christine Spring
Independent Director

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

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

Christine is a member of the Audit & Risk Committee and Chair of the Remuneration & Nomination Committee.

Philip Cory-Wright
Independent Director

Philip was appointed to the Board in April 2022. He is an independent director and does not hold any shares in the Company.

Philip is a professional director and business advisor. He is currently Chair of Papa Rererangi i Puketapu | New Plymouth Airport and a director of Powerco, South Port New Zealand, Matariki Forestry Group and the New Zealand Local Government Funding Agency (LGFA). His executive career was primarily in investment banking with Southpac and Macquarie. He has advised Auckland Airport, QIC, Powerco, Restaurant Brands and the Higgins Family. Philip is a High Court Solicitor in New Zealand and Victoria and a Chartered Fellow of the New Zealand Institute of Directors.

Philip is a member of the Audit & Risk and Remuneration & Nomination Committees and Chair of the Repower Committee.

Management commentary
(no financial statements)

Corporate Governance Statement

NZ Windfarms Limited

For the year ended 30 June 2023

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

Compliance with NZX Best Practice Code and other guidelines

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

Code of Ethics and Conduct

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 and Conduct 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 and Conduct is on the Company's website.

Role of the Board of Directors

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

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

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

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

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

Delegation of authority

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

Continuous disclosure obligations

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

Share trading by Directors and management

The Board has adopted an Insider Trading and Financial Products Dealing 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 directors and employees of NZ Windfarms. The Chief Executive Officer must obtain the written consent of the Chair 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 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.

Electricity Price Hedging Policy

NZ Windfarms has an Electricity Price Hedging Policy for managing the risks associated with hedging electricity prices.

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 Chair, and three non-executive Directors, all of whom are independent Directors.

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

The Chair 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.

Director Attendances at Board and Sub-Committee Meetings in this financial year

	Board Meetings Attended / Meetings Held	Audit & Risk Committee Meetings Attended / Meetings Held	Repower Committee Meetings Attended / Meetings Held	Remuneration & Nomination Committee Meetings Attended / Meetings Held
Craig Stobo	8 of 8	3 of 3	2 of 2	1 of 1
Patrick Brockie	8 of 8	3 of 3	2 of 2	1 of 1
Christine Spring	8 of 8	3 of 3	2 of 2	1 of 1
Philip Cory-Wright	8 of 8	3 of 3	2 of 2	1 of 1
Mark Evans (resigned 29 September 2022)	2 of 2	1 of 1	0 of 0	0 of 0

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 provides financial and risk reports to the Audit and Risk Committee, which meets at least three times per annum.

The role of Chief Financial Officer has been outsourced to Naylor Lawrence & Associates Ltd (NLA), a Palmerston North based accounting firm.

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, Christine Spring and Philip Cory-Wright are independent directors. Craig Stobo is also considered an independent, non-executive Chair.

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

The rotation of directors is governed by the Company's Constitution and NZX Listing Rules. Any retiring directors are eligible for re-election at the Annual General Meeting.

Directors and Officers Diversity

At 30 June 2023 there were six (2022: seven) Directors and Officers. The gender composition is shown in the table below.

	2023	2022
Gender Diversity		
Directors – female	1	1
Directors – male	3	4
Officers – female	0	0
Officers – male	2	2

Management commentary
(no financial statements)

	2023	2022
Residence		
Regional	2	3
Main Centre	3	3
Offshore	1	1
Age		
Under 30	0	0
30 to 50	2	2
Over 50	4	5
Tenure		
0– 2 Years	2	3
2 – 5	3	3
Over 5 Years	1	1

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), Craig Stobo, Christine Spring, and Philip Cory-Wright.

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, GM Operations and Development, and Naylor Lawrence & Associates Ltd attend Committee meetings by invitation as does the external auditor when required.

Remuneration & Nomination Committee

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

Repower Committee

The Repower Committee at the end of the financial year comprised of Philip Cory-Wright (Chair). The Repower Committee's purpose is to monitor and oversee the progress of the Repower project, on behalf of the Board, working with appointed consultants.

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 2022	Movement	Shares 30 June 2023
Craig Stobo	Director	0	0	0
Patrick Brockie	Director	0	0	0
Christine Spring	Director	0	0	0
Philip Cory-Wright	Director	0	0	0

Management commentary
(no financial statements)

Statutory Information

NZ Windfarms Limited

For the year ended 30 June 2023

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.

Director	Period	Counterparty	Nature of Interest
Craig Stobo	Full year	Precinct Properties New Zealand	Chairperson
		NZ Local Government Funding Agency	Chairperson
		Saturn Portfolio Management	Chairperson/Shareholder
		Elevation Capital Management	Chairperson/Shareholder
		AIG New Zealand*	Chairperson
		NZWL-TRH Limited	Chairperson
		TRH Services Limited	Chairperson
Patrick Brockie	Full year	World Vision New Zealand	Trustee
		City Rail Link Limited	Employee
		NZWL-TRH Limited	Director
		TRH Services Limited	Director
Christine Spring	Full year	Auckland International Airport Limited	Director
		Isthmus Group Limited	Chairperson
		Western Sydney Airport Limited	Director
		Unison Contracting Services Limited*	Director
		Unison Networks Limited*	Director
		NZWL-TRH Limited	Director
		TRH Services Limited	Director
Philip Cory-Wright	Full year	Papa Rererangi i Puketapu | New Plymouth Airport	Chairperson
		Powerco	Director
		South Port New Zealand Limited	Director
		Matariki Forestry Group	Director
		NZ Local Government Funding Agency	Director
		Para Bidco Limited	Director
		NZWL-TRH Limited	Director
		TRH Services Limited	Director
Mark Evans	Part year (resigned 29 September 2022)	Winter Pixel Limited	Shareholder
		Site Managers Limited	Director/Shareholder
		Kericrest Properties Limited	Director/Shareholder
		NZWL-TRH Limited	Director
		TRH Services Limited	Director

*Cessation of an interest is marked with an asterisk.

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.

Management commentary
(no financial statements)

Directors Remuneration

Directors' fees total $402,480 (2022: $330,779) per annum. As at 30 June 2023 remuneration levels are: The Board Chair receives $160,000 per annum and the remaining directors receive a base fee of $70,000 per annum. The Chair of the Audit and Risk Committee receives an additional $10,000 per annum and the other members of the Audit and Risk Committee receive an additional $5,000 per annum. The Chair of the Repower Committee receives an additional $10,000 per annum. Membership of any other standing committees does not attract any additional fees.

The following table summarises the Directors' remuneration for the year ended 30 June 2023:

Director	Director Fees ($)
Craig Stobo	156,667
Patrick Brockie	77,000
Christine Spring	72,667
Philip Cory-Wright	79,333
Mark Evans (resigned September 2022)	16,813

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 (2022: $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 2023. No Director of any subsidiary received any Director fees or other benefits as a Director of the subsidiary companies.

NZWL-TRH Limited (100% owned): Craig Stobo (Chair), Patrick Brockie, Christine Spring and Philip Cory-Wright.

TRH Services Limited (100% owned): Craig Stobo (Chair), Patrick Brockie, Christine Spring and Philip Cory-Wright.

Stock Exchange and Current Credit Rating Status

The Company's shares are listed on the NZX.

NZ Windfarms does not currently have an external credit rating.

Employee Remuneration

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

Remuneration range	Employees 2023	Employees 2022
$300,000 - $350,000	1	0
$250,000 - $300,000	0	1
$200,000 - $250,000	1	1
$150,000 - $200,000	1	0
$100,000 - $150,000	5	6

Total remuneration above includes all benefits.

Long Term and Short Term Incentives

Long-term incentive plan (LTI Plan)

The Chief Executive Officer and the General Manager Operations and Development participate in the company's LTI plan.

The performance rights scheme holds share-rights in trust for a three-year vesting period and is based on two performance conditions. At the end of the vesting period and where agreed performance conditions are met, the LTI rights result in shares being transferred to participating employees. The LTI rights value is 6% of the participating employee's base salary.

Refer to Note 16 for further detail on the LTI plan.

Short-term incentive plan (STI plan)

The short-term incentive plan provides for an additional component to the Chief Executive Officer and the GM Operations and Developments' annual remuneration and is payable in cash on successful attainment of performance objectives. The value of each short-term incentive is 25% of the participating employees' annual base salary.

Company component

The company component makes up 40% of the STI plan and is based on company-wide performance in two areas. A varying proportion of the STI will be paid depending on the number of health and safety occurrences. The second element of the company component is based on a specific financial target - annual earnings before interest, taxation, depreciation, amortisation and fair value adjustments (EBITDAF). If EBITDAF is greater than or equal to the EBITDAF guidance range issued at the start of the financial year, the target will have been met.

Executive team component

The executive team component makes up 35% of the STI plan and is based on the executive team delivering specific strategic growth workstreams. For FY2023 these related to the delivery of the fast track consent for the TRH repower and providing strategic growth opportunities such as The Aokautere Extension Project.

Individual component

The individual component makes up the other 25% of the STI plan and is based on the participating employee's individual performance. Each participating employee has specific measures in place to determine achievement or non-achievement each year.

Shareholder Information

NZ Windfarms Limited

For the year ended 30 June 2023

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 9 August 2023.

Twenty Largest Ordinary Shareholders

Shareholder	Address	Shares	% of Issued Capital
New Zealand Depository Nominee	Wellington	49,917,331	17.33
Robert Alexander Stone	Singapore	41,000,000	14.23
Hsu Cheng Yang	Auckland	13,566,797	4.71
Kericrest Properties Limited	Kerikeri	10,844,988	3.76
Custodial Services Limited	Tauranga	8,095,267	2.81
Leveraged Equities Finance Limited	Wellington	5,800,000	2.01
Po Hui Chi	Auckland	3,800,000	1.32
National Nominees New Zealand Limited	Auckland	3,220,889	1.12
Craig Earl Gregory Bowler	Waiuku	3,059,056	1.06
Wilhelm Wolfgang Rehfus	Takaka	3,000,000	1.04
Anthony John Anselmi & Ross Michael Alleman	Auckland	2,566,667	0.89
Sheng Fei Wang	Auckland	1,850,000	0.64
Michael Andrew Neil	Warkworth	1,800,000	0.62
FNZ Custodians Limited	Wellington	1,586,976	0.55
Frederick Kilner Stone	Auckland	1,500,000	0.52
Accident Compensation Corporation	Wellington	1,369,771	0.48
Sarah Caroline Laurenson	Wellington	1,263,334	0.44
David Walter Iles	United States	1,121,022	0.39
Sterling Nominees Limited	Auckland	1,100,167	0.38
Chun Wang	Auckland	1,090,000	0.38

Holding Ranges	Number of holders	Shares	% of Issued Capital
1 to 1,000	250	169,123	0.06
1,001 to 5,000	812	2,656,304	0.92
5,001 to 10,000	497	3,996,231	1.39
10,001 to 50,000	1,092	28,281,328	9.82
50,001 to 100,000	301	22,601,734	7.85
100,001 and over	282	230,358,864	79.96
Totals	**3,234**	**288,063,584**	**100.00**

Management commentary
(no financial statements)

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 2023:

Shareholder	Number of shares directly held	%
Robert Alexander Stone	41,000,000	14.23

The total number of issued voting securities as at 30 June 2023 was 288,063,584 (2022: 288,063,584).

Auditor Remuneration

BDO Auckland has continued to act as auditors of the Company. Refer to note 2 for further information on auditor remuneration for the year ended 30 June 2023. The audit fees paid related to the audit of the annual consolidated financial statements. No other engagements have been performed by BDO Auckland.

Donations

No donations have been made during the year.

Directors' Statement

The Annual Report is dated 29 August 2023 and is signed on behalf of the Board by:

Craig Stobo
Chair

Patrick Brockie
Director

Environmental Sustainability

NZ Windfarms Limited

For the year ended 30 June 2023

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

NZ Windfarms Limited is committed to minimising its effect on the environment whilst protecting our social license to operate in an environmentally and socially responsible manner. Our business, our people, our customers and our communities rely on New Zealand's natural resources, and it's crucial we look after them.

Environmental sustainability ensures our natural and shared resources are available to future generations. We want to have a positive impact on the environments in which we work in and also the communities we share those environments with.

Through effective governance, we aim to mitigate risk while ensuring full compliance with environmental and regulatory obligations, doing what's right for the land and environment. We are always striving to 'do better' and to search for innovative ways to reduce our carbon footprint.

The organisation is on a journey to establish science-based targets to make meaningful carbon emission reductions across our operations. We have high aspirations to be a leader in this area. Sustainability is a fundamental component of our collective DNA and this will be embedded in our people and business through refinements to our company purpose: "Empowering Sustainable Communities" and values: Honesty, Integrity, Trust, Innovation, Manākitanga and Enjoyment.

Community Wellbeing

We are privileged to live, work and grow our families in our community. Our philosophy is to 'be the neighbour you'd want to have'. We live, work and operate in communities, and we know our actions impact on the people and environment around us. To us, this means respecting the rights of others, ensuring the safe and best practice operation of our site, and making a positive contribution to the communities we call home.

We work hard to understand the needs and aspirations of our local communities, and to ensure they understand how our business works - and how we tick as people too. We engage with stakeholders in our local communities year-round and we encourage all feedback. This includes a formal complaint process embedded in our operational reporting system. We proactively engage with near neighbours, local authorities and local iwi to maintain continued support for ongoing operations and potential repowering opportunities in the future. We are committed to working collaboratively with all stakeholders to form partnerships for mutual benefit to assist in creating a sustainable future for New Zealand. This is fundamental to the long-term success of our business.

Climate Change

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

Resilience and agility is key as we strive to limit the impacts of greenhouse gas emissions by harnessing the power of wind to support Government targets to decarbonise the electricity sector. We are well placed to support the transition to a low emissions economy and will closely monitor climate change policy developments.

The proposed climate-related financial disclosures for listed companies adds further impetus, and means NZ Windfarms will identify, assess, take action, and disclose material climate-related financial risks to our stakeholders and investors in the future.

Reducing Carbon Emissions

Renewable energy output will support the decarbonisation of the energy sector. This will benefit our communities, and also create opportunity to grow demand for renewable energy which as a generator we are positioning ourselves to meet. We will prioritise adapting our generation assets to mitigate climate change impacts and build resilience.

NZ Windfarms is reviewing its operations, processes and supply chain to identify areas where we can measure and reduce carbon emissions. NZ Windfarms' current carbon impact is primarily diesel for vehicles and through indirect sources (such as transportation of stock and components).

Environmental Compliance

The Company's Te Rere Hau wind farm operates within the constraints of three resource consents outlining the operation, maintenance, and decommissioning activities. These consents contain multiple conditions that protect the natural environment.

These are actively managed for compliance and in the past year, there were no environmental incidents. The Company has continued to implement environmental management plans for all our activities. We are guided by best practice and a continuous improvement philosophy to enhance environmental outcomes.

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

Management commentary
(no financial statements)

Analysis of Material Movements

(FY23 to FY22)

NZ Windfarms Limited

For the year ended 30 June 2023

The following section highlights some of the most notable material movements observed from FY23 to FY22.

Consolidated Statement of Comprehensive Income

	2023 $	2022 $	Variance $	Remarks
Total Income	11,558,023	12,530,845	(972,822)	The reduction in income can mainly be attributed to a decrease in net electricity revenue from FY22 to FY23. The following are key reasons for the decline: - **Pricing:** Net electricity Price (including derivatives) was 8.0% lower than the previous year, with Net GWAP of $98.51 per MWh (2022: $107.11). The use of VVFPA agreements partially shielded the Group from the full impact of electricity price volatility. - **Generation:** FY23 was a lower wind year than FY22, with generation decreasing from 100.2GWh (FY22) to 98.2GWh (FY23). Fluctuations in wind resources are a natural occurrence and are inherent to renewable energy sources like wind power.
Total Operating Expenses (Excluding Impairment)	5,771,961	4,473,353	1,298,608	Operating expenditure (excluding impariment) has increased by 29% from FY22 to FY23. The key drivers behind the increase in operating expenditure are: - **Inflationary factors:** affecting the economy, impacting salaries and wages, supply chain costs and capital goods inflation. - **Repowering consultancy costs:** Costs of $482k incurred in FY23 (2022: nil) towards the repowering work programme, which include expenditure on corporate consultation to identify a project development partner, securing long-term power purchase agreements (PPA), identifying project financiers and co-investors. These are non-recurring costs and are excluded from EBITDAF calculations. - **Turbine decommissioning:** The AMP framework was utilised to determine the need to decommission a WF500 turbine during the year. The operational fleet is now 91 turbines (2022: 92 turbines) and max farm output is 45.5 MW (2022: 46.0 MW). The financial impact of this decommissioning process, including associated costs, has been accounted for in FY23, with a loss on disposal recorded of $223k attributed to the turbines and towers, and $20k attributed to the foundations.

Management commentary
(no financial statements)

	2023 $	2022 $	Variance $	Remarks
Impairment of PPE and Intangible assets	7,836,895	(2,783,954)	10,620,849	In FY23, the Company had an impairment loss (non-cash) of $7.8m, whereas FY22 had a reversal of impairment (-$2.7m). See Note 15 for more detail.
Depreciation and Amortisation	4,709,789	3,332,253	1,377,536	Depreciation and Amortisation expense has increased by 41.3% from FY22 to FY23. This increase can be attributed to the following key factors: **- FY22 Reversal of Impairment:** FY23 had increased depreciation as a result of the reversal of impairment for FY22 which increased the carrying values of assets. **- Foundations remaining useful life:** FY23 includes accelerated depreciation on turbines and foundations as a result of reductions in their useful lives effective from 1 July 2022.

Management commentary
(no financial statements)

Consolidated Statement of Financial Position

	2023 $	2022 $	Variance $	Remarks
Total Assets	47,703,499	54,834,912	(7,131,413)	The reduction in fixed assets, as reflected in the Company financial statements, can be explained by the impairment loss recognised in FY23 and the reversal of impairment in FY22. These contrasting movements in impairment adjustments have directly impacted the carrying value of our non-current assets.
Total Liabilities	11,120,436	13,736,974	(2,616,538)	Reduction in total liabilities can largely driven by the following key points: **- Term Loan:** The BNZ loan facility has reduced from a total of $8.29mil in FY22 to $7.57mil in FY23. This reduction is primarily attributed to loan amortisation and the utilisation of a revolving credit facility, which has a headroom of $898k at 30 June 2023 available to redraw. **- Derivative liability:** Decreased by $1.8m from FY22. This reduction can be attributed to the impact of volatile forward prices and the resulting mark-to-market calculations that influence the valuation of the Group's derivatives.
Dividends Paid	864,416	2,967,055	(2,102,639)	Dividends decreased from FY22 and are currently paused until further notice, while the Group focus on Repowering the Te Rere Hau Wind Farm.
Operating Cashflow	3,724,855	5,908,209	(2,183,354)	Operating activities generated positive cashflow of $3.72m down from 2022 ($5.91m) largely due to lower electricity prices/generation output and inflationary impact on operating costs. Surplus cashflow was utilised for (i) annual capital expenditure of $1.0m; (ii) debt repayment of $0.72m; (iii) consenting and repower costs of $1.14m; and (iv) dividends of $0.86m.

Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

Consolidated Statement of Comprehensive Income

NZ Windfarms Limited

For the year ended 30 June 2023

	Notes	2023 ($)	2022 ($)
Income			
Electricity sales revenue		5,497,067	10,790,955
Gain on unrealised derivatives	13	1,852,516	1,638,991
Gain on realised derivatives	13	4,178,992	–
Other Income		1,043	72,495
Land lease		28,404	28,404
Total Income		**11,558,022**	**12,530,845**
Operating expenses			
Administration expenses		270,004	231,428
Audit fees	2	129,686	67,984
Directors' fees	16	402,480	330,779
Employment expenses	3	1,738,843	1,457,952
Insurance		406,583	358,227
Variable lease and rental expenses	18	7,994	37,310
Legal and consulting expenses		430,413	547,725
Realised loss on derivatives	13	–	54,066
Impairment of property, plant and equipment	5, 15	7,309,839	–
Impairment of intangible assets	6, 15	527,056	–
Reversal of impairment of property, plant and equipment	5, 15	–	(2,638,120)
Reversal of impairment of intangible assets	6, 15	–	(145,834)
Loss on disposal of property, plant and equipment		228,739	(13,440)
Te Rere Hau Wind Farm operational expenses		1,526,599	1,243,920
Repowering consultation expenses	6	482,243	–
Other operating expenses		148,377	157,501
Total Operating expenses		**13,608,856**	**1,689,499**
(Loss)/Profit before interest, tax, depreciation, and amortisation		**(2,050,833)**	**10,841,346**
Depreciation and amortisation			
Depreciation of property, plant and equipment	5	4,350,285	3,006,931
Depreciation of right-of-use assets	18	37,988	13,356
Amortisation of intangible assets	6	321,516	311,966
Total Depreciation and amortisation		**4,709,789**	**3,332,253**
(Loss)/Profit before interest and tax		**(6,760,622)**	**7,509,093**

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

Consolidated Statement of Comprehensive Income

NZ Windfarms Limited

For the year ended 30 June 2023

	Notes	2023 ($)	2022 ($)
Interest			
Interest income on financial assets at amortised cost		114,035	15,848
Interest expense on liabilities at amortised cost		(598,809)	(280,505)
Net Interest		**(484,774)**	**(264,658)**
(Loss)/Profit before tax		**(7,245,396)**	**7,244,436**
Income tax (benefit)/expense			
Income tax (benefit)/expense	1	(1,945,365)	2,073,855
Total Income tax (benefit)/expense		**(1,945,365)**	**2,073,855**
Net (Loss)/Profit after tax		**(5,300,031)**	**5,170,581**
Other Comprehensive Income			
Items that will not be reclassified to the Profit or Loss			
Land Revaluation		–	1,295,118
Road Revaluation (net of tax)		1,649,349	–
Total Items that will not be reclassified to the Profit or Loss		**1,649,349**	**1,295,118**
Total Other Comprehensive Income		**1,649,349**	**1,295,118**
Total Comprehensive (loss)/income			
Total Comprehensive (loss)/income		(3,650,682)	6,465,699
Earnings per share			
Basic earnings per share	11	(0.0184)	0.0179
Diluted earnings per share	11	(0.0184)	0.0179

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

Consolidated Statement of Financial Position

NZ Windfarms Limited

As at 30 June 2023

	Notes	2023 ($)	2022 ($)
Assets			
Current Assets			
Cash and cash equivalents	14	1,580,199	1,680,382
Trade and other receivables	4	1,186,768	1,357,439
Inventories		909,567	910,944
Total Current Assets		**3,676,534**	**3,948,765**
Non-Current Assets			
Property, plant and equipment	5	37,027,399	45,584,809
Intangible assets	6	4,894,660	4,536,299
Right-of-use assets	18	162,691	135,037
Finance lease receivable	18	8,262	–
Deferred tax asset	8	1,933,954	630,002
Total Non-Current Assets		**44,026,965**	**50,886,147**
Total Assets		**47,703,499**	**54,834,912**
Liabilities			
Current Liabilities			
Trade and other payables	9	988,062	1,070,151
Derivative liability – current portion	13	1,586,778	4,191,605
Lease liabilities – current portion	18	51,679	13,015
Term loan – current portion	19	1,219,227	1,205,882
Total Current Liabilities		**3,845,746**	**6,480,653**
Non-Current Liabilities			
Derivative liability - non-current portion	13	752,311	–
Term loan – non-current portion	19	6,355,084	7,086,555
Lease liabilities – non-current portion	18	167,295	169,766
Total Non-Current Liabilities		**7,274,690**	**7,256,321**
Total Liabilities		**11,120,436**	**13,736,974**
Net Assets		**36,583,063**	**41,097,938**
Equity			
Share capital	10	107,005,000	107,005,000
Accumulated losses		(73,366,405)	(67,202,180)
Revaluation reserve – roads	5	1,649,349	–
Revaluation reserve – land	5	1,295,118	1,295,118
Total Equity		**36,583,063**	**41,097,938**

The consolidated financial statements were authorised on behalf of the NZ Windfarms Limited Board of Directors on 29 August 2023

Craig Stobo
Chair

Patrick Brockie
Director

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 2023

	Notes	2023 ($)	2022 ($)
Equity			
Share Capital			
Opening Balance		107,005,000	107,005,000
Closing Balance		**107,005,000**	**107,005,000**
Accumulated losses			
Opening Balance		(67,202,180)	(69,405,706)
Total Income (Loss) for the period		(5,300,031)	5,170,581
Transactions with owners of the Company in their capacity as owners			
Dividends paid		(864,193)	(2,967,055)
Closing Balance		**(73,366,404)**	**(67,202,180)**
Reserves			
Land Revaluation Reserve			
Opening Balance		1,295,118	–
Revaluation Surplus – Land	5	–	1,295,118
Total Land Revaluation Reserve		**1,295,118**	**1,295,118**
Road Revaluation Reserve (net of tax)			
Revaluation Surplus – Roading (net of tax)	5	1,649,349	–
Total Road Revaluation Reserve (net of tax)		**1,649,349**	**–**
Closing Balance		**2,944,467**	**1,295,118**
Total Equity		**36,583,063**	**41,097,938**

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 2023

	Notes	2023 ($)	2022 ($)
Consolidated Statement of Cash Flows			
Operating Activities			
Cash was received from:			
Trading revenue		5,751,566	11,534,164
Derivative gain realised	13	4,178,992	–
Interest received		114,035	15,848
Cash was applied to:			
Derivative loss realised	13	–	(54,066)
Payments to suppliers and employees		(5,749,523)	(5,307,232)
Interest paid		(570,215)	(280,505)
Net cash inflow from Operating Activities	12	**3,724,855**	**5,908,209**
Investing Activities			
Cash was received from:			
Sale of property, plant and equipment		–	109,565
Cash was applied to:			
Purchase of property, plant and equipment		(1,040,687)	(1,989,896)
Purchase of intangible assets - capital WIP	6	(1,135,727)	(1,186,220)
Net cash outflow from Investing Activities		**(2,176,414)**	**(3,066,551)**
Financing Activities			
Cash was provided from:			
Drawdown of BNZ loan	19	1,350,000	600,000
Cash was applied to:			
Repayment of lease liability	18	(37,710)	(13,019)
Repayment of BNZ loan	19	(1,198,190)	(1,287,500)
Prepayment of BNZ loan	19	(898,530)	–
Dividends paid	10	(864,194)	(2,967,055)
Net cash outflow from Financing Activities		**(1,648,624)**	**(3,667,574)**
Net decrease in cash and cash equivalents		(100,183)	(825,916)
Cash and cash equivalents, beginning of period	14	1,680,382	2,506,298
Cash and cash equivalents, end of period	**14**	**1,580,199**	**1,680,382**

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

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2023

Reporting Entity and Statutory Base

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

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

Basis of Preparation

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

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

Measurement Base

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

Critical Accounting Estimates and Judgments In Applying Accounting Policies

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

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

- Revaluation of Road assets - accounting policy, note 5
- Revaluation of Land - accounting policy, note 5
- Impairment and useful life of property, plant and equipment - accounting policies, notes 5 and 15.
- Capitalisation of Fast Track Resource Consenting costs and Repower and Development costs - note 6.
- 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.

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2023

Changes in accounting policies

New standards that have been adopted in the annual financial statements for the year ended 30 June 2023 but have not had a significant impact on the Group are:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to NZ IAS 16);
- Annual Improvements to IFRS Standards 2018-2021 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3);
- Provisions, Contingent Liabilities and Contingent Assets (Amendments to NZ IAS 37).

During the year ended 30 June 2023, no changes to adopted accounting policies were made.

New standards, interpretations and amendments not yet effective

The Group is not aware of any standards issued but not yet effective that would materially affect the amounts recognised or disclosed in the financial statements

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 expenses arising from intra-group transactions, are eliminated on consolidation.

Revenue recognition

Revenue is generated from the sale of renewable energy to the wholesale market, 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 derivatives

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

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

Interest

Interest income and expenses are recognised on an accrual basis using the effective interest method.

Statement of Accounting Policies

NZ Windfarms Limited

For the year ended 30 June 2023

Taxation

Current tax expense

The taxation expense or benefit charged to the consolidated statement of profit or loss and other 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 assets and liabilities

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

Inventories

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

Property, plant and equipment

All property, plant and equipment is initially recorded at cost and other than land and roads, 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.

Subsequent to initial recognition, land and roads are carried at the revalued amount, which is the fair value at the date of the revaluation, less impairment.

Any revaluation surplus is recognised in Other Comprehensive Income unless it reverses a revaluation decrease of the same asset previously recorded in the Consolidated Statement of Comprehensive Income. Any revaluation deficit is recognised in the Consolidated Statement of Comprehensive Income unless it directly offsets a previous surplus in the same asset in other comprehensive income.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Independent valuations are performed at regular intervals to ensure that the carrying amount does not differ materially from the asset's fair value at the balance date.

Judgement is used in determining the remaining economic useful lives of property, plant and equipment.

The economic lives of each item of property, plant and equipment, with the exception of land, has been estimated for the current and prior period as follows:

	FY23	FY22
• Office equipment	5 years	5 years
• Buildings, plant and equipment	5 to 40 years	5 to 40 years
• Motor vehicles	4 years	4 years
• Foundations	20 to 32 years	50 years
• Electrical	20 to 50 years	20 to 50 years
• Roading	50 years	50 years
• Wind turbines (including tower, blades and components)	5 to 32 years	5 to 40 years

The economic useful lives are reviewed and appropriately adjusted when required.

All assets, other than land and roads, 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). Intangible assets not yet available for use are shown as capital work in progress (WIP).

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

Leases

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

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

Right-of-use assets are initially measured at the amount of the lease liability at commencement date of the lease, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

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

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

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

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

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

Nature of leasing activities (in the capacity as lessee)

The Group is party to three wind right agreements for the Te Rere Hau Wind Farm Eastern Extension, one agreement maturing in June 2030 and two agreements maturing in May 2034, all with rights of renewal. The landowners own the land on which 17 installed turbines are located. Under the agreements, in return for the wind farm rights, the group pays the landowners lease payments based on electricity output and electricity revenue generated from the 17 turbines located on the land. These variable payments are exempted under NZ IFRS 16 and expensed as costs are incurred. The Group is also party to one land lease agreement maturing in November 2023, with rights of renewal.

The Group has entered into three additional land leases to enable the Te Rere Hau Repowering and the Aokautere Extension Projects. Once the wind right agreements are exercised, one agreement will be for a term maturing in May 2034, the second and third agreements have an initial term of 25 years from the exercise date. All three agreements have rights of renewal. In addition, a conditional sale and purchase agreement for 8.5 hectares and a conditional long term easement have been entered into to enable the construction of new transmission assets for the repowering project. There are no turbines or transmission infrastructure installed on this land at present.

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

30 June 2023	Lease contract number	Fixed payments
Leases with fixed payments	4	100%
30 June 2022	**Lease contract number**	**Fixed payments**
Leases with fixed payments	3	100%

Financial instruments - initial and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost

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

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

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

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

Impairment of financial assets

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Other financial liabilities

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

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

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

Financial liabilities at fair value through profit or loss

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

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

Derecognition

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

Employee benefits

Short term employee entitlements

Accruals are made for benefits accruing to employees in respect of wages, salaries, KiwiSaver contributions, annual leave, sick leave, STI and LTI payments 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 Consolidated Statement of Financial Position and the expense is recognised as employees perform services that entitle them to remuneration.

The group makes monthly contributions to Health and Life insurance plans for employees. These contributions are recognised as an employee benefit expense in profit or loss in the month the contribution is made.

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.

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period

Impairment of non-financial assets

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

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

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

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

Statement of cash flows

Cash and cash equivalents include cash on hand, in banks and investments in short term (less than 90 days) 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. Interest paid and interest received is disclosed as operating cashflows.
- 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.

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

	Notes	2023 ($)	2022 ($)
1. Income tax expense			
Net Profit Before Tax		(7,245,396)	7,244,436
Expected tax expense at 28%		(2,028,711)	2,028,442
Adjustments for non-deductible expenses and non-assessible income			
Other non-deductible expenses		82,544	3,202
Reinstatement of tax depreciation on commercial buildings		2,229	2,229
Prior period adjustment		–	39,986
Other		(1,427)	–
Total Adjustments for non-deductible expenses and non-assessible income		**83,346**	**45,417**
Total tax expenses		**(1,945,365)**	**2,073,859**
Represented by:			
Current tax			
Current tax on profits for the year		–	–
Adjustment for current tax of prior periods		–	–
Total Current tax		**–**	**–**
Deferred Tax			
Origination and reversal of temporary differences		(1,945,365)	2,033,873
Adjustments for deferred tax of prior periods		–	39,986
Total Deferred Tax	8	**(1,945,365)**	**2,073,859**
Total Tax expense		**(1,945,365)**	**2,073,859**

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

Tax on each component of other comprehensive income is as follows:			
Gain on land revaluation (before tax)		2,290,763	–
Tax on land revaluation		(641,414)	–
Gain on land revaluation (after tax)		1,649,349	–
Tax loss			
Tax loss from previous years		19,989,641	24,196,186
Tax loss for the year		389,553	–
Tax loss utilised within the group		(2,647,449)	(4,206,545)
Tax loss carried forward		**17,731,745**	**19,989,641**

Imputation credit account

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

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

	2023 ($)	2022 ($)
2. Fees paid to auditor		
Audit of financial statements	129,686	67,984
Total Fees paid to auditor	**129,686**	**67,984**

	2023 ($)	2022 ($)
3. Employment expenses		
Wages and salaries	1,649,044	1,377,353
KiwiSaver Contributions	47,065	39,105
Temporary Staff Fees	130	446
Fringe Benefit Tax	27,018	25,523
Other employee benefits	15,585	15,524
Total Employment expenses	**1,738,843**	**1,457,952**

	2023 ($)	2022 ($)
4. Trade and other receivables		
Trade Debtors	918,878	1,180,791
Prepayments	231,029	176,648
GST Receivable	36,862	–
Total Trade and other receivables	**1,186,768**	**1,357,439**

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

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

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

5. Property, plant and equipment

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

	Land (at revaluation) $	Office equipment $	Buildings, plant & equipment $	Motor vehicles $	Foundations $	Electrical $	Roading (at revaluation) $	Wind turbines $	TOTAL $
Cost:									
Balance at 1 July 2022	5,254,072	488,942	1,623,786	521,844	4,447,656	21,097,384	4,982,406	76,420,044	114,836,134
Additions	–	11,521	–	–	–	–	–	1,034,263	1,045,784
Disposals	–	–	–	–	–	–	–	(1,193,828)	(1,193,828)
Revaluation	–	–	–	–	–	–	(784,706)	–	(784,706)
Balance at 30 June 2023	**5,254,072**	**500,463**	**1,623,786**	**521,844**	**4,447,656**	**21,097,384**	**4,197,700**	**76,260,479**	**113,903,385**

	Land (at revaluation) $	Office equipment $	Buildings, plant & equipment $	Motor vehicles $	Foundations $	Electrical $	Roading (at revaluation) $	Wind turbines $	TOTAL $
Depreciation and impairment:									
Balance at 1 July 2022	–	471,401	938,832	317,764	2,580,540	8,530,618	2,995,385	53,416,786	69,251,325
Accumulated depreciation on disposals	–	–	–	–	–	–	–	(959,995)	(959,995)
Depreciation	–	21,630	69,830	53,097	146,635	892,606	80,084	3,086,404	4,350,286
Revaluation	–	–	–	–	–	–	(3,075,469)	–	(3,075,469)
Impairment	–	–	–	–	328,284	2,227,540	800,961	3,953,054	7,309,839
Balance at 30 June 2023	**–**	**493,031**	**1,008,662**	**370,861**	**3,055,459**	**11,650,764**	**800,961**	**59,496,249**	**76,875,986**
Carrying amount at 30 June 2023	**5,254,072**	**7,432**	**615,124**	**150,983**	**1,392,197**	**9,446,620**	**3,396,739**	**16,764,230**	**37,027,399**

At 30 June 2023, the Group carried out a review of the carrying values of its assets in accordance with NZ IAS 36 - Impairment of Assets, which has resulted in an impairment to PPE of $7,309,839. Note 15 also provides further information.

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

Decommissioning of Turbine

The strategic decision was made in May 2023 to decommission one wind turbine, after consideration of the turbine's performance, maintenance costs and operational efficiency. The decommissioning brings the total number of wind turbines to 91 (FY22: 92). The financial impact of this decommissioning process, including associated costs, has been accounted for in FY23, with a loss on disposal recorded of $222,846 attributed to the turbine, and $19,794 attributed to the foundations.

Road Revaluation

Road asset valuations were independently assessed by Jones Lang LaSalle (JLL) in FY23, based on an inspection date of 25 May 2023. Given the specialised nature of the roading assets and lack of comparable sales data, the fair value has been determined by using a depreciated replacement cost basis. The depreciated replacement cost comprises all costs incurred in purchased, delivering and installing the roading assets, which includes all project design, supervision, commissioning and insurance costs incurred. The useful life of the roading assets under the depreciated replacement cost basis has been assessed by JLL, with consideration given to the ages and lives of similar assets, research and industry experience.

There has also been no material physical changes in the roading asset between date of inspection and date of valuation, being 30 June 2023.

The fair value measures of the roading assets have been categorised in the fair value hierarchy as Level 3 and recurring in accordance with NZ IFRS 13 – Fair Value Measurement, as the inputs are not observable in the market, and the carrying amount of the assets will be reviewed at each reporting period.

The fair value measure is based on the asset's highest and best use, which does not differ from their actual use.

If Roads were measured using the cost model, the carrying amount would be $1,906,937 as at 30 June 2023.

A reconciliation of the opening and closing fair value balances is provided below:

Roading Assets	**2023 $**
Opening balance (at cost)	4,982,406
Additions	–
Accumulated depreciation and impairment	(3,876,430)
Carrying the amount	1,105,976
Gain on roading revaluation	2,290,763
Closing balance (level 3 recurring fair values)	**3,396,739**

Land Revaluation

Land asset valuations were independently assessed by BakerAg NZ Ltd in FY22 using a discounted cash flow methodology taking into account the royalties that can be earned from it to derive the estimated market value. The Company updated the BakerAg valuation to reflect the revised remaining useful life of the windfarm. The existing windfarm is assumed to be fully decommissioned at the end of FY2041, with a gradual reduction in operational turbines over the period FY2032 to FY2041. Note 15 provides further detail on the revised remaining useful life assumption.

As the fair value of land is determined using inputs that are unobservable, the Group has categorised Land as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – Fair Value Measurement.

At 30 June 2023, the land value as currently shown in the accounts reflects the fair value at balance date, and as such, a revaluation has not been performed for FY23. The Directors have formed this judgement with reference to movement in the local property market since FY22.

If land were measured using the cost model, the carrying amount would be $3,958,954 as at 30 June 2023 (2022 $3,958,954).

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

The FY22 carrying book value amounts of property, plant and equipment are analysed as follows:

	Land (at revaluation) $	Office equipment $	Buildings, plant & equipment $	Motor vehicles $	Foundations $	Electrical $	Roading $	Wind turbines $	TOTAL $
Cost:									
Balance at 1 July 2021	3,300,000	442,992	1,523,629	477,456	4,447,656	21,097,384	4,953,795	76,308,713	112,551,625
Additions	658,954	45,950	100,157	211,044	–	–	28,611	948,888	1,993,604
Disposals	–	–	–	(166,656)	–	–	–	(837,557)	(1,004,213)
Revaluation	1,295,118	–	–	–	–	–	–	–	1,295,118
Balance at 30 June 2022	**5,254,072**	**488,942**	**1,623,786**	**521,844**	**4,447,656**	**21,097,384**	**4,982,406**	**76,420,044**	**114,836,134**

	Land (at revaluation) $	Office equipment $	Buildings, plant & equipment $	Motor vehicles $	Foundations $	Electrical $	Roading $	Wind turbines $	TOTAL $
Depreciation and impairment:									
Balance at 1 July 2021	–	441,617	881,178	378,016	2,633,620	8,541,682	3,039,482	53,889,182	69,804,776
Reversal of Impairment	–	–	–	–	(100,821)	(333,289)	(117,029)	(2,086,981)	(2,638,121)
Accumulated depreciation on disposals	–	–	–	(110,828)	–	–	–	(811,433)	(922,261)
Depreciation	–	29,784	57,654	50,576	47,741	322,225	72,932	2,426,018	3,006,930
Balance at 30 June 2022	**–**	**471,401**	**938,832**	**317,764**	**2,580,540**	**8,530,618**	**2,995,385**	**53,416,786**	**69,251,325**
Carrying amount at 30 June 2022	**5,254,072**	**17,541**	**684,954**	**204,080**	**1,867,116**	**12,566,766**	**1,987,021**	**23,003,258**	**45,584,809**

6. Intangible assets

Changes in the net carrying amount of intangible assets follow:

	Land use consent and wind rights $	Grid connection $	Capital WIP $	TOTAL $
Cost:				
Balance at 1 July 2022	1,737,360	5,522,157	1,452,574	8,712,091
Additions	–	–	1,206,933	1,206,933
Balance at 30 June 2023	**1,737,360**	**5,522,157**	**2,659,507**	**9,919,024**
Amortisation and impairment:				
Balance at 1 July 2022	443,125	3,732,667	–	4,175,792
Amortisation	42,138	279,378	–	321,516
Impairment	238,912	288,144	–	527,056
Balance at 30 June 2023	**724,175**	**4,300,189**	**–**	**5,024,364**
Carrying amount at 30 June 2023	**1,013,185**	**1,221,968**	**2,659,507**	**4,894,660**

At 30 June 2023, 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.

Capital work in progress

The Capital Work in Progress (WIP) costs above are associated with the (re)consenting and repowering work programmes of the Te Rere Hau Repowering project (30 x wind turbines) and the Aokautere Extension Project (9 x wind turbines).

The (re)consenting costs are associated with consenting both projects. The Group capitalises the direct costs associated with the (re)consenting work programme.

As at 30 June 2023, the first of the Fast-track resource consents for the Te Rere Hau repower has been granted to construct thirty turbines on existing owned and leased property.

A second consent application is underway, for the Aokautere Extension Project. The consent has been referred by the Minister for the Environment to the expert consenting panel, for consideration under the Fast-Track Consenting Act 2020. The fast-track consent application is expected to be submitted towards the end of the 2023 calendar year and a consenting decision is expected Q1 2024.

With a number of key milestones outstanding prior to confirming investment decisions, all costs to date directly attributable to the reconsenting in relation to the repowering work, have been classified as WIP on the Consolidated Statement of Financial Position and will be reassessed at each annual reporting period.

The repowering work programme also includes expenditures on corporate consultation to identify a project development partner, securing long-term power purchase agreements (PPA), identifying project financiers and co-investors. These costs have been expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, as Repowering Consultation Costs.

	Land use consent and wind rights $	Grid connection $	Capital WIP $	TOTAL $
Cost:				
Balance at 1 July 2021	1,737,360	5,522,157	–	7,259,517
Additions	–	–	1,452,574	1,452,574
Balance at 30 June 2022	**1,737,360**	**5,522,157**	**1,452,574**	**8,712,091**
Amortisation and impairment:				
Balance at 1 July 2021	400,987	3,608,673	–	4,009,660
Amortisation	42,138	269,828	–	311,966
Reversal of impairment	–	(145,834)	–	(145,834)
Balance at 30 June 2022	**443,125**	**3,732,667**	**–**	**4,175,792**
Carrying amount at 30 June 2022	**1,294,235**	**1,789,490**	**1,452,574**	**4,536,299**

7. Investment in subsidiaries

	2023	2022
NZWL - TRH Limited	100%	100%
TRH Services Limited	100%	100%

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

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

8. Deferred tax

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

	2023 ($)	2022 ($)
As at 30 June		
Deferred tax assets	5,062,832	5,689,461
Deferred tax liabilities	(3,128,878)	(5,059,459)
Deferred tax assets (net)	**1,933,954**	**630,002**

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

	Notes	2023 ($)	2022 ($)
Movement in temporary differences during the year			
Opening balance			
Property, plant and equipment		(5,021,649)	(4,112,698)
Right-of-use assets		(37,811)	(41,550)
Provisions		41,183	28,348
Lease liability		51,179	54,824
Losses		5,597,100	6,774,932
Tax assets/(liabilities)		**630,002**	**2,703,856**
Recognised in profit (loss)			
Property, plant and equipment		2,582,051	(908,956)
Right-of-use assets		(10,056)	3,740
Provisions		(4,553)	12,835
Lease liability		10,134	(3,645)
Losses		(632,211)	(1,177,833)
Movement in temporary differences	1	**1,945,365**	**(2,073,859)**
Recognised in equity			
Property, plant and equipment		(641,414)	–
Movement in temporary differences		**(641,414)**	**–**
Closing balance			
Property, plant and equipment		(3,081,011)	(5,021,649)
Right-of-use assets		(47,867)	(37,811)
Provisions		36,630	41,183
Lease liability		61,313	51,179
Losses		4,964,889	5,597,100
Tax assets/(liabilities)		**1,933,954**	**630,002**

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 Wind Farm 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.

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

	2023 ($)	2022 ($)
9. Trade and other payables		
Trade payables	553,554	746,096
Employee entitlements	301,140	161,656
Accruals	133,368	108,366
GST payable	–	54,033
Total Trade and other payables	**988,062**	**1,070,151**

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 2023, paid up share capital amounted to $107,005,000 (Prior year: $107,005,000).

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

Dividends

The Directors declared and paid gross dividends of $864,194 during the current financial year, amounting to 0.30 cents per share. The dividends paid in the current financial year can be broken down as follows:

- $720,160 gross final dividend declared for the year ended 30 June 2022
- $144,034 gross interim dividend declared for the quarter ended 30 September 2022

(Prior year: Dividend of $2,967,055, amounting to 1.03 cents per share).

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

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	2023 ($)	2022 ($)
Earnings per share			
Net profit for the year		(5,300,031)	5,170,581
Number of shares on issue over year	10	288,063,584	288,063,584
Basic earnings per share		**(0.0184)**	**0.0179**
Diluted earnings per share		**(0.0184)**	**0.0179**

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

	Notes	2023 ($)	2022 ($)
Net tangible assets per share			
Net assets		36,583,063	41,097,938
Less:			
Intangible assets	6	4,894,660	4,536,299
Deferred tax	8	1,933,954	630,002
Net tangible assets		**29,754,450**	**35,931,637**
Number of shares on issue over year	10	288,063,584	288,063,584
Net tangible assets per share		**0.1033**	**0.1247**

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

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

	Notes	2023 ($)	2022 ($)
12. Notes supporting the Statement of Cash Flows			
Net profit after tax		(5,300,031)	5,170,581
Non-cash items			
Depreciation of property, plant and equipment	5	4,350,285	3,006,931
Depreciation of right-of-use assets	18	37,988	13,356
Amortisation of intangible assets	6	321,516	311,966
Interest expense		28,594	–
Impairment of property, plant and equipment	5	7,309,839	–
Impairment of intangible assets	6	527,056	–
Reversal of impairment of property, plant and equipment	5	–	(2,638,120)
Reversal of impairment of intangible assets	6	–	(145,834)
Loss on disposal of property, plant and equipment	5	228,739	(13,440)
Unrealised loss/(gain) on derivatives	13	(1,852,516)	(1,638,991)
Provision for taxation	1	(1,945,365)	2,073,855
Total Non-cash items		**9,006,136**	**969,723**
Changes in working capital			
Trade and other payables		(153,298)	613,717
Inventories		1,377	(12,584)
Trade and other receivables		170,671	(833,228)
Total Changes in working capital		**18,750**	**(232,095)**
Net cash flow from operating activities		**3,724,855**	**5,908,209**

Significant non-cash transactions

Refer to notes 18 and 19 for details of transactions in the term loan liability and lease liability. Included in the BNZ loan, as outlined in note 19, is amortisation of borrowing costs of $28,594 (2022: $18,341), which is non cash. Included in the lease liability, as outlined in note 18, is interest expense of $12,290 (2022: $10,981), which is non cash.

13. Derivative Financial Instruments

Classification of Derivative Financial Instruments

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

The Group has not applied hedge accounting.

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

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

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

	Level 1		Level 2		Level 3	
	2023 ($)	2022 ($)	2023 ($)	2022 ($)	2023 ($)	2022 ($)
Financial liabilities						
Derivative financial liabilities (fair value through profit or loss)	–	–	2,339,089	4,191,605	–	–

There have been no transfers between levels in the period.

The table below details the liquidity risk arising from derivative liabilities held by the Group at balance date.

	Up to 3 months $	Between 3 and 12 months $	Between 1 year and 2 years $	Between 2 and 5 years $	**Total $**
Energy derivatives	331,282	1,255,496	752,311	–	**2,339,089**
Interest rate swaps	–	–	–	–	**–**

Energy futures and contracts for differences

The Company's primary means of managing electricity price risk is via variable volume fixed price agreement's (VVFPA's). This means that 50% of the Company's generation between 1 July 2023 to 31 December 2023, 75% of the Company's generation between 1 January 2024 and 31 March 2024, 95% of the Company's generation between 1 April 2024 and 30 June 2024, 95% of the Company's generation between 1 July 2024 to 30 September 2024 and 50% of the Company's generation between 1 October 2024 and 31 December 2024 will be sold at a fixed price related to the Company's injection node (TWC2201). These agreements have been reached with two NZ based counter-parties.

In the prior year (at this point in time), 100% of the Company's generation between 1 July 2022 to 30 September 2022, and 50%of the Company's generation between 1 October 2022 and 30 June 2023 was under agreement to be sold at a fixed price related to the Company's injection node (TWC2201).

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 an amortising net debt IRS with Bank of New Zealand, effective from 3 July 2023. This swap expires 1 July 2024 and is structured on 50% of the net debt level. The price of the IRS is 5.77%. The carrying value of the IRS at 30 June 2023 is $0 (Prior year: $187,629 asset). Refer to note 19 for information on the Term Loan.

	2023 ($)	2022 ($)
Results of the transactions with derivative financial instruments:		
Gain (Loss) on realised derivative financial instruments		
Interest swaps		
Net loss on realised interest swaps	172,453	(7,776)
VVFPA		
Net (loss) gain realised on VVFPA	4,006,539	(46,290)
Total Gain (Loss) on realised derivative financial instruments	**4,178,992**	**(54,066)**

	2023 ($)	2022 ($)
Gain (loss) on unrealised derivative financial instruments		
Interest swaps		
Net gain (loss) on unrealised interest swaps	(187,629)	202,719
VVFPA		
Net (loss) gain unrealised on VVFPA	2,040,145	1,436,272
Total Gain (loss) on unrealised derivative financial instruments	**1,852,516**	**1,638,991**
Unrealised fair value derivative (liabilities) assets	**(2,339,089)**	**(4,191,605)**

The VVFPA has a maturity of 18 months (Prior year: 12 months). All other unrealised derivative financial instruments have a maturity of 12 months (Prior year: 12 months).

14. Cash and cash equivalents

	2023 ($)	2022 ($)
Operating accounts	357,565	77,973
On call accounts	1,222,633	1,002,409
Short Term Deposits with maturity less than 3 months	–	600,000
Total Cash and cash equivalents	**1,580,199**	**1,680,382**

On call accounts attract interest of 4.08% per annum (Prior year: 1.95%)

15. Te Rere Hau Wind Farm asset impairment

The Group has only one cash generating unit which is the Te Rere Hau (TRH) wind farm. The 'value in use' method has been used to establish the recoverable value of the assets of the wind farm based on forecast cash flows over the assumed remaining wind farm economic life. A salvage value of residual assets is included as a terminal value. During the year ended 30 June 2023, the Group carried out a review of the carrying values of the assets in accordance with NZ IAS 36 – Impairment of Assets.

The value in use calculation indicated that there was an impairment of $7,836,895 for the year ended 30 June 2023 (Prior year: reversal of impairment of $2,783,955). The impairment has been allocated to property plant and equipment and intangible assets (refer to Notes 5 and 6).

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

First year of cash flow

Rolling forward the value in use calculation by a year, results in the loss of a year of cashflow for the remaining economic life of TRH's generating assets. For FY23, this was the largest single contributor to the calculated impairment loss.

Remaining economic life

The remaining economic life of the generating assets is based on an extensive review process completed by the Group during the year ended 30 June 2022 which included engineering design review, input from specialist renewable energy consultants, asset management planning and financial modelling. This review process confirmed that ongoing maintenance of the major turbine components can be undertaken to keep the existing turbines operational until FY36 with four turbines expected to be decommissioned between FY31 to FY36.

A gradual decommissioning of the current fleet turbines is assumed to commence from FY32 onwards, with increased monitoring and utilisation of spare parts from decommissioned turbines to maintain the remaining fleet.

This year the Group has updated the assumptions of the optimal economic life of the turbines based on financial modelling scenarios which indicated a remaining economic life of 13 years to FY36 (Prior year: 19 years to FY41). The reduced optimal economic life is primarily a result of changes in the 2023 PwC price path (refer 'Electricity price' section below), WACC changes and changes in terminal salvage values compared to the prior year. The 2023 PwC price path increases net present value (NPV) relative to prior year. This is due to higher short-term prices, and early years of cashflows, receiving less discounting in the value in use calculation. However, the medium to long term PwC price path is lower than prior year, which results in an NPV benefit from reducing the optimal economic life of the turbines from FY41 to FY36.

The existing 91 operating turbines are assumed to have 4 turbines decommissioned during the period from FY32 to the end of economic life of the windfarm in FY36. The remaining 87 turbine units are then assumed to be fully decommissioned for residual salvage value in FY37.

The Group intends to reassess the above assumptions at regular intervals to ensure their continued validity.

Electricity price

The wholesale electricity price forecasts assume the latest PricewaterhouseCoopers (PwC) price path, as at 30 June 2023. The PwC price path is based on the ASX futures curve until the end of calendar year 2026. The medium to long term price path to FY43 is based on PwC's estimates of prices required for new generation to be built to meet forecast electricity demand growth. The forecast Long Run Marginal Cost (LRMC) for different generation technologies is weighted by their assumed contribution to new generation supply. PwC assumes that the Tiwai Point smelter continues to operate or is replaced by other major new demand loads. The price path is updated by PwC annually. All prices refer to the Otahuhu node price (OTA).

The Otahuhu node price is reduced by a location discount factor (for the impact of energy transmission losses) and an intermittency discount factor (for the impact of fluctuating weather on wind generation relative to baseload pricing) to estimate the Company's injection node price at Tararua Wind Central. The latest forecasts for location and intermittency discount factors were obtained from Energy Link, a specialist consultant to the New Zealand Energy industry, as at 30 June 2023. An increasing renewable build including solar and wind projects and decommissioning of thermal plant is expected to increase the intermittency discount over time. The Energy Link combined discount factors forecast for the existing windfarm, increased from 18.0% in FY24 to 31.5% in FY48, were adopted (Prior year: 11.9% in FY23 to 29.4% in FY37).

Output

Output of the wind farm for the 2023 financial year was 98.2 GWh (Prior year: 100.2 GWh). The average generation output over the last 10 years was 113.1 GWh (normalised to be consistent with current turbine operations).

The budget for FY24 is based on a report from DNV (previously DNV GL), a global technical consultancy to the renewable energy industry headquartered in Norway. DNV estimated the average long term output for 92 turbines to be 117.2 GWh. Management has adjusted this estimate for the decommissioning of one turbine, resulting in the forecast average long term output being 116.7 GWh (Prior year: 117.2 GWh).

Operating costs and capital expenditure

The assumed operating costs and capital expenditure are based on the Group's 2024 budget. This current budget is the latest information available to the Board informed by current year actual costs and the Board's future expectations. Long term inflation is applied to forecast future years.

Turbine Expenses and TRH Personnel costs are assumed to reduce pro-rata with the assumed declining generating capacity of the windfarm from FY32 onwards on the basis that the Group would seek cost savings to partially offset the impact of declining revenue.

The accounting standard NZ IAS 36 requires that the expenditure of $2.7m on the repower resource consent, which is included in the current year balance sheet as Capital Work in Progress (refer Note 6), is deducted in the calculation of the impairment value of the existing cash generating asset. The remaining budgeted expenditure to complete the repower resource consent is also required to be included as a deduction from cash flows in FY24 of $0.9m.

Terminal value

A terminal value is included in FY37 to account for the value expected to be realised from the following residual assets once the windfarm is decommissioned.

The terminal value of land is calculated based on the book value of $5.3m which is then inflated to $6.8m. The terminal value of turbines and towers is based on prices and volumes for the scrap values of materials (net of disposal costs) of $0.4m which is then inflated to $0.6m. The terminal value of infrastructure is $4.6m based on forecast depreciated book values for roading and buildings plus the estimated disposal value (net of transport costs) for the electrical transformers. Other infrastructure is assumed to have nil residual value.

Long Term Inflation

Long term inflation is based on the mid-point of the Reserve Bank of New Zealand's target range for the Consumer Price Index (CPI) as at 30 June 2023 of 2.00% (Prior year: 2.00%).

Discount rate

The pre-tax discount rate used in the impairment model is a weighted average cost of capital (WACC) of 10.55% (Prior year: 11.40%).

Future strategy

The Group has been granted resource consent to repower the wind farm with new turbines. The above assumptions regarding output, operating costs and capital expenditure would change significantly if the Group proceeds with this redevelopment project.

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 $7,836,895 for the year ended 30 June 2023. However due to the 13 year operating forecast time horizon (to FY36) and variability of the metrics upon which the key assumptions are based the valuation is sensitive to any change in the assumptions.

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

Assumption	Additional value (impairment) +1% movement $	Additional value (impairment) -1% movement $
Electricity price	758,958	(758,958)
Generation output	758,958	(758,958)
Operating costs	(344,770)	344,770
Capital expenditure	(109,602)	109,602
Discount rate	(1,701,808)	1,852,354

The following table shows the impact of a plus or minus 5 year change to the assumed remaining economic life date of FY36:

End of Economic Life Assumption	Additional value (impairment) movement $
Financial Year 2031	(635,139)
Financial Year 2036	-
Financial Year 2041	(1,389,962)

There is interrelation between the key assumption inputs. Changes in the assumptions are unlikely to occur in isolation and could coincide with other changes which may also impact the value in use.

16. Related party transactions

Key management

Key management personnel includes the Board of Directors, CEO and GM Operations and Development. Key management personnel short term employee benefits, excluding remuneration to Directors, were $675,260 during the reporting period ended 30 June 2023 (Prior year: $471,443). This includes all remuneration including any STI for the year.

The Chief Executive Officer and the General Manager Operations and Development participate in the company's LTI plan. Under this plan, share-rights are held in trust through a performance rights scheme for a three year vesting period, contingent upon meeting two performance criteria. 50% of the shares granted under the plans are reliant on the company's relative total shareholder return. These shares will vest depending on the relative performance to a peer group of energy companies. For the other 50% of shares granted under the plans, these shares will vest if the total shareholder return is equal to or more than the company's cost of equity plus 1%. These metrics are measured annually to align with the financial year from 1 July to 30 June and will first be available for consideration of payment after the 2024 annual results have been delivered. The LTI rights is 6% of the participating employee's base salary.

The fair value impact of Long-Term Incentive (LTI) arrangements for both the CEO and GM Operations and Development over the three-year vesting period is assessed to be immaterial. This determination is based on factors such as the relative significance of the LTI component within the overall compensation structure.

Directors' remuneration

Directors' remuneration of $402,480 was paid and expensed during the reporting period (Prior year: $330,779).

17. Capital commitments

The Group had $651,389 of capital commitments at year end for inventories and property, plant and equipment (Prior year:$567,415).

18. Right-of-Use Assets & Leases

	2023 ($)	2022 ($)
Right-of-Use Assets		
Wind right agreements		
Balance at the start of the reporting period	135,038	148,394
Additions	–	–
Depreciation	(13,356)	(13,356)
Balance at the end of the reporting period	**121,682**	**135,038**
Land Lease agreements		
Balance at the start of the reporting period	–	–
Additions	73,903	–
Sub Lease agreement	(8,262)	–
Depreciation	(24,632)	–
Balance at the end of the reporting period	**41,009**	**–**
Total Right-of-Use Assets	**162,691**	**135,038**

	2023 ($)	2022 ($)
Lease liabilities		
Wind right agreements & Land lease agreements		
Balance at the start of the reporting period	182,781	195,800
Additions	73,903	–
Interest expense	12,290	10,981
Lease payments	(50,000)	(24,000)
Balance at the end of the reporting period	**218,974**	**182,781**
Total Lease liabilities	**218,974**	**182,781**

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

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	2023 ($)	2022 ($)
Lease liabilities are made up as follows:		
Current portion	51,679	13,015
Non-current portion	167,295	169,766
Total Lease liabilities	**218,974**	**182,781**

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

	2023 ($)	2022 ($)
Amounts recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income:		
Interest charges for lease liabilities	12,290	10,981
Expense relating to leases of low-value (included in Lease and Rental Expenses)	1,632	4,574
Expense relating to variable lease payments not included in lease liabilities* (included in Lease and Rental Expenses)	6,362	32,736

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

19. Term loan

The company's current facility with Bank of New Zealand (BNZ) expires on 8 April 2025. The loan is subject to normal competitive commercial interest terms and covenants, including interest cover and leverage ratios. The facility was amended in May 2023 to allow revolving credit with voluntary repayments and draw downs, with the aim of reducing interest expense. The total cost of finance of the loan reflects the 90 day Bank Bill rate plus a margin. At 30 June 2023, the total cost of finance of the loan was the 90 day Bank Bill rate plus a margin, being 5.47% (Prior year: 1.98%).

At 30 June 2023, the total headroom on the BNZ debt facility is $898,530.

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

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

	2023 ($)	2022 ($)
Term Loan		
Balance at the start of the reporting period	8,292,437	8,961,596
Drawn down	1,350,000	600,000
Amortisation of borrowing costs	28,594	18,341
Principal repayments	(2,096,720)	(1,287,500)
Balance at the end of the reporting period	**7,574,311**	**8,292,437**

	2023 ($)	2022 ($)
Term loan is made up as follows:		
Current portion	1,219,227	1,205,882
Non-current portion	6,355,084	7,086,555
Total loan	**7,574,311**	**8,292,437**

Refer to Note 20 for maturity analysis of the term loan.

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 supply 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 wind farm assets (refer to note 15).

The Company utilises VVFPA's as a tool to manage this risk as discussed in note 13. The principal objective in using economic hedges is to fix the wholesale electricity price.

A change in the average electricity spot price of $1 per MWh would lead to a $97,464 change in the unrealised energy derivative held at year-end (Prior year: $74,100).

Concentration of credit risk

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

In the normal course of business, the Group incurs credit risk from transactions with financial institutions and other counterparties e.g. for the sale of electricity. Limits on exposures with counterparties have been set and approved by the Board of Directors and are monitored on a regular basis. Financial instruments which potentially subject the Group to credit risk consist of cash, funds on deposit, trade receivables and energy derivatives.

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

Cash is held with the following financial institution:

		30 June 2023		30 June 2022
	Long-Term Credit Rating (S&P)	Cash at bank ($)	Long-Term Credit Rating (S&P)	Cash at bank ($)
Bank of New Zealand	AA-	1,579,999	AA-	1,680,382
ANZ Bank New Zealand Limited	AA-	200	AA-	–

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.

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

	Up to 3 months $	Between 3 and 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	TOTAL $	Carrying value at reporting date $
Financial liabilities - 2023							
Trade and other payables	686,922	–	–	–	–	686,922	686,922
Lease liability	15,750	47,250	37,000	72,000	104,500	276,500	218,974
Term loan	437,606	1,233,599	6,765,387	–	–	8,436,593	7,574,311
Total	**1,140,278**	**1,280,849**	**6,802,387**	**72,000**	**104,500**	**9,400,014**	**8,480,207**

	Up to 3 months $	Between 3 and 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	TOTAL $	Carrying value at reporting date $
Financial liabilities - 2022							
Trade and other payables	270,022	–	–	–	–	270,022	270,022
Lease liability	6,000	18,000	24,000	200,500	–	248,500	182,781
Term loan	359,038	1,064,759	1,390,852	6,168,536	–	8,983,185	8,292,437
Total	**635,060**	**1,082,759**	**1,414,852**	**6,369,036**	**–**	**9,501,707**	**8,745,240**

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 $7,574 (Prior year: $8,292). 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. Decommissioned turbines may be recommissioned when electricity pricing provides a return on the capital required.

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

	Notes	2023 ($)	2022 ($)
Financial instrument classification			
Financial assets			
Assets at amortised cost			
Cash and cash equivalents	14	1,580,199	1,680,382
Trade and other receivables	4	918,878	1,180,791
Total Assets at amortised cost		**2,499,076**	**2,861,173**
Total Financial assets		**2,499,076**	**2,861,173**
Financial liabilities			
Liabilities at amortised cost			
Trade and other payables	9	686,922	270,022
Lease liability	18	218,974	182,781
Term loan	19	7,574,311	8,292,437
Total Liabilities at amortised cost		**8,480,207**	**8,745,241**
Liabilities at fair value through profit or loss			
Derivative liability	13	2,339,089	4,191,605
Total Liabilities at fair value through profit or loss		**2,339,089**	**4,191,605**
Total Financial liabilities		**10,819,297**	**12,936,846**

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 renewable electricity to the national grid in New Zealand. Sales of electricity are made via Energy Clearing House Limited (a 100% owned subsidiary of NZX 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

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

Notes to the Consolidated Financial Statements

NZ Windfarms Limited

For the year ended 30 June 2023

23. Repower project update

The application for a Fast-Track consent to repower the Te Rere Hau (TRH) Wind Farm (TRH Repowering Project) was granted in May 2023. A competitive process for a long-term power purchaser(s) and investment partner(s) is advanced. The Company is making satisfactory progress on the critical elements to deliver a repower. At 30 June 2023, no decision has been made to proceed with a repower. Such a decision will be subject to approval of shareholders well in advance of a final investment decision (FID).

In June 2023, a second application to install up to nine additional wind turbines on neighbouring land has been referred to the expert consenting panel for consideration under the COVID-19 Recovery (Fast-track Consenting) Act 2020. This is the Aokautere Extension Project.

Three wind development options have been executed with land owners to investigate the construction of wind turbines on their properties. These agreements are in relation to the TRH Repowering and Aokautere Extension Projects.

In addition, to support the construction of a new higher capacity transmission connection, a conditional sale and purchase agreement to purchase 8.5 hectares of land and a long term easement have been signed. All of these agreements are conditional on the repowering project proceeding (NZWL can waive this condition) and other commercial conditions. No value is currently ascribed to any of these land agreements on the balance sheet.

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 statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other 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 2023, 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") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matter	How The Matter Was Addressed in Our Audit
Te Rere Hau wind farm asset impairment	
The Group is required to assess at the end of each reporting period whether there is any indication that the wind farm assets may be impaired. If any such indications exist, the Group will estimate the recoverable amount of the assets. Management derives the recoverable amount from a value in use calculation. We identified the calculation of the recoverable amount as a key audit matter 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 had correspondence with management's valuation expert to understand the valuation methodology adopted. • We have assessed the competence and objectivity of management's valuation expert. • We have obtained Management's value in use calculation and have evaluated the key inputs and assumptions to consider if management's calculation is within an appropriate range. These included the remaining economic life of the windfarm, decommissioning plan for operational turbines, electricity prices, output, operating costs, capital expenditure, terminal values for land, infrastructure assets and scrap value of turbines, inflation and discount rate. • We have engaged our internal valuation experts to review the value in use calculation against valuation industry techniques, the discount rate used and consider the process used to determine the future electricity pricing. • We have reviewed management's calculation of the carrying value of the assets to the recoverable amount determined by the impairment test. The test identified an impairment of $7.84m for the year ended 30 June 2023, which has been recognised to profit or loss. • We have reviewed disclosures in the financial statements, including sensitivity analysis, to the requirements of the accounting standard.

Key Audit Matter	How The Matter Was Addressed in Our Audit
Capital Work in Progress (WIP)	
The Group incurred $2.66m of costs associated with the (re)consenting and repowering works programmes of the Te Rere Hau Repowering project and the Aokautere Expansion project. These costs have been classified as capital work in progress at 30 June 2023. We have identified the classification of costs as a key audit matter, as there is a risk that these costs may not meet the capitalisation requirements of NZ IAS 38 *Intangible Assets* and the impairment requirements of NZ IAS 36 *Impairment of Assets*. Refer to Note 6 (intangible assets) and Note 15 (Te Rere Hau Wind Farm asset impairment) of the financial statements.	• We obtained management's assessment of the Capital WIP costs against the capitalisation requirements of NZ IAS 38 *Intangible Assets*. Management has concluded that it is appropriate to capitalise the costs associated with the consenting projects on the basis that Te Rere Hau repower consent has been granted and the Aokautere Expansion project consent application is underway. We reviewed these assessments against the standards and best practice. • For a sample of Capital WIP costs, we agreed the cost to supporting documentation, discussed with management about the nature of the transactions, and ensured all relevant costs have been correctly treated in line with the audited capitalisation assessment. • Management have included the cash outflows to complete the Aokautere Expansion project consent application and the carrying value of the Capital WIP assets in the Te Rere Hau Wind Farm cash generating unit impairment testing. This has been tested for impairment as discussed in the above Key Audit Matter.

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 of $1.95m predominantly consisting of tax losses carried forward. The recoverability of the deferred tax asset involves judgement by management about the probability of future taxable profits being sufficient to offset the tax losses. The Group prepares detailed forecasts for the taxable profits expected to be generated from the wind farm over its life. The key inputs and assumptions to the forecast are subject to significant management judgement and estimation uncertainty, and the extent to which a deferred tax asset should be recognised on the losses is subject to management judgement. Refer to Note 1 (income tax expense) and Note 8 (deferred tax) of the financial statements.	• We have reviewed management's deferred tax calculation and agreed the inputs to supporting documentation. • We have obtained management's forecasts for taxable profits and critically evaluated the key inputs and assumptions. • 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 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 Richard Croucher.

BDO Auckland

BDO Auckland

Auckland

New Zealand

29 August 2023

Corporate Directory

NZ Windfarms Limited

For the year ended 30 June 2023

Directors

Craig Stobo (Chair)
Patrick Brockie
Christine Spring
Philip Cory-Wright
Mark Evans (Resigned 29 September 2022)

Leadership Team

Warren Koia *Chief Executive Officer*
Adam Radich *General Manager Operations and Development*
Melanie Strydom *Chief Financial Officer - Naylor Lawrence & Associates*

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Share Registrar

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

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

Auditor

BDO Auckland
Level 4, Building A, BDO Centre
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Legal

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

NZ Windfarms Ltd

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Management commentary
(no financial statements)