

WINDFLOW TECHNOLOGY LIMITED
FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 31ST DECEMBER 2003

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WINDFLOW TECHNOLOGY LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE SIX MONTH PERIOD ENDED 31ST DECEMBER 2003

Twelve Months to 30th June 2003		Six Months to 31st Dec 2003	Six Months to 31st Dec 2002
\$		\$	\$
		Notes	
	Operating Revenue		
17,524	Consultancy Fees Received	23,216	9,204
9,066	Funding received	26,957	9,066
50,678	Interest received	75,314	38,266
77,268		125,487	56,536
	Cost of Sales		
-	Wind Blade Expenditure	95,897	-
-	Less Work in Progress	95,897	-
-		-	-
-	Net Revenue from Outwork	2,319	-
77,268		127,806	56,536
	Operating Expenses		
150,076	Amortisation of Licences & Wind Rights	75,038	75,038
520,521	Engineering Costs	147,756	304,580
28,694	Research and Development Costs	49,117	16,888
59,227	Marketing Costs	26,361	32,928
387,810	General and Administration Costs	263,315	183,862
31,040	Depreciation	123,445	15,476
1,177,368		685,032	628,772
(1,100,100)	Net Deficit	(557,226)	(572,236)

WINDFLOW TECHNOLOGY LIMITED
STATEMENT OF MOVEMENTS IN EQUITY
 FOR THE PERIOD ENDED 31ST DECEMBER 2003

Twelve Months to 30th June 2003		Six Months to 31st Dec 2003	Six Months to 31st Dec 2002
\$		\$	\$
	Notes		
3,137,034	Equity at Beginning of Year	2,143,434	3,137,034
(1,100,100)	Net Deficit	(557,226)	(572,236)
106,500	Contributions from Owners Ordinary Shares Issued during the Year	4,998,922	-
2,143,434	Equity at End of Year	6,585,130	2,564,798

WINDFLOW TECHNOLOGY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT THE 31ST DECEMBER 2003

As At 30th June 2003		As At 31st Dec 2003		As At 31st Dec 2002
\$		\$		\$
	Shareholders' Equity			
3,981,841	Share Capital	8,980,763		3,875,341
(1,838,407)	Retained Earnings Account	(2,395,633)		(1,310,543)
2,143,434	Total Shareholders' Equity	6,585,130		2,564,798
	Current Liabilities			
218,268	Accounts Payable	145,351		57,671
218,268	Total Current Liabilities	145,351		57,671
2,361,702	Total Equity and Liabilities	6,730,481		2,622,469
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	Current Assets			
93,048	Cash on Hand and at Bank	110,564		23,870
16,919	Term Deposits	4,250,000		734,980
-	Tax Refund Due	-		28,064
6,779	Accounts Receivable	115,592		15,288
4,224	Prepayments	16,522		9,896
46,215	GST Refund	27,189		48,089
-	Work in Progress (Wind Blades)	95,897		-
	Advances to Joint Venture Partners	113,449		
167,185	Total Current Assets	4,729,213		860,187
	Non Current Assets			
1,264,539	Fixed Assets	1,146,328		757,266
929,978	Intangible Assets	854,940		1,005,016
2,194,517	Total Non Current Assets	2,001,268		1,762,282
2,361,702	Total Assets	6,730,481		2,622,469

Signed for and on behalf of the Board as at the 31st December, 2003

Director

Director

Geoff Henderson *V. S. Buck*

Dated 23/3/04

WINDFLOW TECHNOLOGY LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31ST DECEMBER 2003

Twelve Months to 30th June 2003		Six Months to 31st Dec 2003	Six Months to 31st Dec 2002
\$		\$	\$
	Cash flows from operating activities		
	<i>Cash was provided from:</i>		
14,524	Receipts from consulting fees	24,411	4,190
9,066	Funding Received	26,956	9,066
-	GST Refunded	5,749	-
28,064	Income Tax Refunded	-	-
62,000	Interest received	21,712	45,900
113,654		78,828	59,156
	<i>Cash was disbursed to:</i>		
565,478	Payments to suppliers	332,485	356,784
294,629	Payments to employees	156,840	157,683
-	Interest paid	-	-
6,575	Net GST	5,623	28,567
-	Income Tax	-	-
866,682		494,948	543,034
(753,028)	Net Cash Flows from operating activities	(416,120)	(483,878)
	Cash flows from investing activities		
	<i>Cash was provided from:</i>		
-	Sale of Fixed Assets	151,581	-
1,583,691	Disbursed from Term Deposit Accounts	-	865,630
1,583,691		151,581	865,630
	<i>Cash was disbursed to:</i>		
936,705	Development of the Wind Turbine and associated costs	-	488,466
9,863	Purchase of other fixed assets	191,824	-
-	Disbursed to Term Deposit Accounts	4,233,081	-
946,568		4,424,905	488,466
637,123	Net Cash Flows from investing activities	(4,273,324)	377,164
	Cash flows from financing activities		
	<i>Cash was provided from:</i>		
106,500	Issue of Shares	4,975,731	-
106,500		4,975,731	-
	<i>Cash was disbursed to:</i>		
38,255	Issue Costs of Equity	156,923	10,124
-	Prepayments	-	-
-	Advances to Joint Venture Company	111,848	-
38,255		268,771	10,124
68,245	Net Cash Flows from financing activities	4,706,960	(10,124)
(47,660)	Net Increase (Decrease) in cash held	17,516	(116,838)
140,708	Cash at beginning of year	93,048	140,708
93,048	Cash at end of year	110,564	23,870

WINDFLOW TECHNOLOGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. The financial statements have been prepared in accordance with Financial Reporting Standard number 24 and should be read in conjunction with the 2003 Annual Report.
 There have been no material changes in accounting policies. All policies have been applied on bases consistent with those used in previous interim and annual financial statements.

2. The Financial Statements for the current period and the previous six month period are unaudited.

3. The Group has a commitment for the construction of thirteen wind blades by its joint venture partner, Wind Blades Limited. The financial accounts of Wind Blades Limited have been included in this consolidation.
 At present the Directors are negotiating with a number of parties for the supply of components for the next six turbines but no formal commitments had been signed at the date of these accounts.

4. Reconciliation of reported deficit with Cash Flows from Operating Activities

Twelve Months to 30th June 2003		Six Months to 31st Dec 2003	Six Months to 31st Dec 2002
(1,100,100)	Net Deficit	(557,226)	(572,236)
	<i>Less</i>		
	<i>Non Cash Items and Non Operating Items</i>		
150,076	Amortisation of Licences and Wind Rights	75,038	75,038
31,040	Depreciation	123,445	15,476
-	- Depreciation - Joint Venture	9,068	-
93,416	Issue Costs of Equity	83,757	10,134
274,532		291,308	100,648
	<i>Cash Flow from Operations before</i>		
(825,568)	<i>working capital changes</i>	(265,918)	(471,588)
	<i>Movements in Working Capital</i>		
	Increase (Decrease) in accounts payable		
59,479	excluding asset purchases	47,902	23,768
28,064	Decrease (Increase) in Tax refund	-	-
4,571	Decrease (Increase) in accounts receivable	(108,813)	(3,938)
	Decrease (Increase) in Work in Progress	(95,897)	
(4,224)	Decrease (Increase) in prepayments	(12,298)	(9,896)
(15,350)	Decrease (Increase) in GST receivable	18,904	(22,224)
72,540		(150,202)	(12,290)
(753,028)	<i>Net Cash Flows from Operating Activities</i>	(416,120)	(483,878)