

Windflow Technology Limited	
<b>Results for announcement to the market</b>	
Reporting Period	Twelve months to 30 June 2008
Previous Reporting Period	Twelve months to 30 June 2007

	Amount (000s)	Percentage change
Revenue from ordinary activities	10,991	356%
Profit (loss) from ordinary activities after tax attributable to security holder.	(2,044)	38%
Net profit (loss) attributable to security holders.	(2,044)	38%

Interim Dividend	Amount per security	Imputed amount per security
Nil	It is not proposed to pay a dividend.	Not Applicable

Record Date	Not Applicable
Dividend Payment Date	Not Applicable

Comments:	Refer to Directors' Annual Review
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## **Directors' Review to June 2008:**

### **Transformational Year for Windflow**

Wind turbine manufacturer Windflow Technology Limited (Windflow) has completed a year of major transformation on its road to commercialisation. Having started as a small research and development (R&D) company with plans for outsourced manufacturing, Windflow is now a fully-fledged manufacturer in its own right, while retaining and strengthening its R&D capabilities, which are increasingly gaining Windflow a reputation as a "centre of excellence".

In the year to 30 June 2008, a substantial increase in committed forward orders has enabled production to ramp up to five turbines per month, and capability is now firmly in place to produce 60 turbines per year, which has been the target articulated by Windflow since its formation.

The directors and management are now starting to plan ahead for further growth in capability and capacity to meet anticipated demand from New Zealand and overseas markets.

The rapid expansion phase has taken Windflow to a new capability level sufficient to meet existing and anticipated orders, and the directors wish to thank the shareholders for their strong support. At balance date, confirmed orders stood at 60 turbines, valued in excess of \$45 million, for Stages 2 and 3 of the Te Rere Hau joint venture. NZ Windfarms Limited is preparing a consent application for an extension to the Te Rere Hau wind farm comprising a further 30 turbines.

The directors are pleased to report that a positive gross profit has been achieved on the turbines produced and sold in the year to 30 June 2008. At time of writing the first of these turbines for Te Rere Hau Stage 2 are being installed and commissioned.

#### **FINANCIAL RESULTS**

The directors are pleased with the growth in revenue by Windflow for the 2008 year, reflecting the transformation of the business to continuous manufacturing with the opening of the Christchurch factory for nacelle assembly of the Windflow 500 turbine.

As a consequence of turbine sales there has been a 356% increase in trading revenue for the Windflow group of companies from \$2.41 to \$10.99 million. Total revenue rose from \$2.81 to \$12.11 million.

Overheads for the year were \$3.89 million. This represents the investment Windflow has made in ensuring it will:

- a) maintain the current turbine production rate of five per month and then ramp it up;
- b) achieve IEC certification and develop further variants of the Windflow 500; and
- c) continue to provide support for the turbines in the field (at Te Rere Hau and Gebbies Pass).

These overheads are being incurred ahead of the revenue that will result once Windflow achieves the levels associated with steady production of 60 turbines per year or more.

For the financial year to 30 June 2008, the revenue associated with turbine sales was for part-payment of turbines, predominantly being for blades, gearboxes and nacelle assemblies for the second batch of turbines. In accordance with the New Zealand equivalent of the International Financial Reporting Standards (IFRS) for such contracts, revenue is being recognised at a rate which is matched to the costs incurred for those items.

The basic position reported for our half-year has improved, with a pleasing positive gross profit of \$0.76 million, but still showing a net loss of \$2.04 million.

There has been a change in accounting policy regarding the costs associated with obtaining IEC certification. The directors have decided to capitalise these costs (\$1.26 million) rather than treat them as expenses as we have done in previous years. The effect of this decision is to reduce the amount of the net loss. This decision is based on a number of factors:

- a) the capabilities now in place to commercialise the Windflow 500 as recognised by the ISO 9001 certification;
- b) the strong market feedback from customers and potential customers of the value of IEC certification;
- c) the fact that the benefits from our investment in IEC certification will be spread over several years of production; and
- d) the consequent reinforcement of the value of the intellectual property in the turbine represented by the IEC certification evaluation and testing process.

Along with IEC certification work, Windflow continues to invest considerably in R&D expenditure (\$0.77 million). However the directors have continued to treat this expenditure conservatively by expensing it.

These factors have resulted in the net loss of \$2.04 million for the twelve month period.

In the current year to 30 June 2009 Windflow is facing greater than anticipated costs largely due to the increased cost of raw materials. The wind turbine industry is facing increased costs for raw materials worldwide, and Windflow's costs of production have included a 91% increase in steel prices over the past 12 months. This does not affect long-term competitive advantage; in fact it should enhance it because competing turbines use more steel per unit of output.

In the case of Te Rere Hau, the most recent turbine confirmations we have received have been at a selling price which does not take into account the recent large raw material price increases (such as steel). These raw material price increases have eroded the gross margin which was budgeted for Te Rere Hau. If steel and some of the other costs remain high, then it is likely that WTL will incur a loss on the production of those turbines, which will dominate the financial year to June 2009 and continue to have some effect in the following financial year. The extent of the loss will depend on the final number of turbines ordered under this arrangement for Te Rere Hau, the cost of materials in the first half of next year and the extent to which savings from current production costs can be achieved due to increased volumes.

However, once those orders have been completed the Windflow 500 will be priced to cover those costs and to ensure a normal commercial gross margin.

At year end total equity (net assets) stood at \$7.28 million (\$4.65 million last year).

## **RIGHTS ISSUE**

The renounceable rights issue of late 2007 gave existing shareholders an opportunity to invest further at an attractive entry cost. That issue raised \$5.04 million and attached to each new share was a tradable option exercisable in September 2008 at a price of \$3.30 per additional share.

The first tranche of funds in this capital raising round was employed in increased working capital, costs associated with the ramping up of production, and turbine development.

## **NEW PRODUCTION BASE**

The major change in Windflow's business during the full year was the commissioning of production facilities located at Riccarton, Christchurch, where production has recently reached five nacelles a month or 60 nacelles annually. When Windflow was launched in 2001, its original plans were for outsourced manufacturing. In recent years however it has become apparent that there are important quality and economic reasons for vertical integration of three strategically important aspects which are at the heart of the manufacturing operation: the blades, gearbox and nacelle assembly. Nacelle assembly is now carried out at the new base in Riccarton, making Windflow a fully-fledged manufacturer in its own right. At the same time Windflow is retaining and strengthening its R&D capabilities, which are increasingly gaining it a reputation as a "centre of excellence".

The new factory, opened by the Prime Minister, the Rt. Hon. Helen Clark, has been designed to allow for the assembly of over 200 nacelles annually.

The new building has also enabled Windflow to develop a company culture of design and manufacturing excellence. In the past 12 months Windflow has recruited several new staff, mainly windsmiths, engineers, and technicians, to service the continuous manufacturing level required for both the current and anticipated workload.

This recruitment drive was assisted by Windflow's positive profile. A hands-on management approach in a growth industry and a flat organisational structure are attractive features which should keep staff turnover at very low levels.

Windflow has taken steps to streamline the flow of essential components from sub-contractors and there will be supply chain efficiencies arising from the acquisition of the remaining shares in our blade supplier, the now 100% owned Wind Blades Limited. This Auckland-based subsidiary is producing a pair of blades every eight days.

Another significant development has been the formation of Wind Gears Limited, a company owned 50% by Windflow and 50% by AH Gears Limited, which has been the designer and manufacturer to date of the Windflow patented Torque Limiting Gearbox, the 'heart' of our robust Windflow 500 wind turbine. Wind Gears Limited has been established to take over those roles on a partnership basis going forward. The vertical integration of our manufacturing operation will tighten quality assurance processes and improve manufacturing productivity of turbine component parts.

## **IEC CERTIFICATION**

Windflow management has made a determined effort to complete the international certification of the Windflow 500 turbine to the International Electro-technical Commission (IEC) Standard WT-01:2001, an extensive exercise that has not been undertaken previously in Australasia. With the recent expansion of the engineering team additional resources have

been directed towards completion of this process and progress towards certification has accelerated compared to earlier periods. The objective is certification of the Windflow 500 for Class 1A sites to a new edition of the Design Load standard IEC 61400-1, Edition 3:2005. Class 1A sites are the windiest and most turbulent of the standard designations and thus provide the best representation of conditions at New Zealand wind farm sites. At the time of writing, no other turbine has achieved Class 1A certification to Edition 3, which includes significantly more rigorous models for specifying extreme operating loads than Edition 2.

IEC certification has four main components:

### ***ISO 9001 Certification***

In early June 2008 Windflow Technology gained ISO 9001:2000 certification for the Windflow 500 wind turbine design, development, and production as well as the activities involved in the installation and servicing of the turbines at wind farms such as Te Rere Hau. This is a unique achievement in Australasia and is a prerequisite for IEC certification.

### ***Type Testing***

Type Testing involves extensive monitoring of the prototype turbine as well as a range of destructive and non-destructive tests on components, especially the blades. Monitoring of the prototype turbine at Gebbies Pass was carried out by the University of Canterbury in the six months to December 2007. Extensive data files were produced along with summary reports which have been provided to Lloyds Register, the Certifying Body for the Windflow 500 in relation to IEC Certification.

The first Windflow 500 blade was tested to destruction under static loads in 2002 and in the last year we have tested two further blades under fatigue loads. These recent tests have demonstrated a fatigue life greater than 400 years but somewhat short of the IEC requirements, which is to demonstrate a 900 year achievable life. Windflow has developed an improved construction detail which addresses the fundamental fatigue issue. This is currently being tested.

### ***Manufacturing Evaluation***

Windflow's manufacturing processes and quality assurance systems, along with those of the suppliers of key components, have been audited by Lloyds Register. Lloyds Register has verified that our manufacturing meets IEC requirements, subject only to approval of our drawings as part of the Design Evaluation process.

### ***Design Evaluation***

Completion of the design documentation for Design Evaluation has progressed during the year. Most documents have been submitted to Lloyds Register and Windflow is presently finalizing the calculations, which pull together all the related work from the Type Testing process.

In summary the very rigorous disciplines of the IEC certification have added a significant amount of time to the original timetable for the work. Whilst the directors would have liked to see this work finished sooner, they are comforted by the creation of the additional

intellectual property that the programme is creating. At the same time they are under no illusions as to the urgency of completing this work as both the remaining Te Rere Hau confirmations and the Long Gully order (see below) are contingent on obtaining IEC certification (although the Te Rere Hau joint venture has waived this requirement on previous batches).

### **CHIEF OPERATING OFFICER**

As part of scaling up, an international recruitment drive sought to bring on board organizational development expertise and to share the considerable workload that CEO Geoff Henderson has shouldered in leading Windflow to its current level. The appointee to the position of Chief Operating Officer, Tom Hooper, is a returning New Zealander with an excellent track record in managing and steering growth in fast paced industries in the United Kingdom. He is already involved in Windflow's day to day work and will commence on a full time basis by January 2009.

### **TE RERE HAU WIND FARM**

In the second half of the year to 30 June 2008 the five turbines at Te Rere Hau have continued to perform exceptionally well. Availability averaged 96% during this time and since balance date the turbines have continued to perform at this level or above.

A gearbox upgrade was successfully applied to all five turbines during the period July-October 2007. This brought down the availability figures for calendar year 2007 below our warranty level of 95%, requiring us to compensate the Te Rere Hau joint venture (TRH-JV) for lost revenue. Because only five turbines were involved the sum of money was relatively small, and in fact the process strengthened that particular customer relationship because it demonstrated both that the formula for availability warranty in the sale and purchase agreement is rigorous and workable, and that Windflow has the capability to stand behind it.

The Te Rere Hau wind farm development has continued to move forward. During the year, TRH-JV confirmed two additional batch orders of Windflow 500 turbines. This resulted in a current and forward manufacturing workload of 60 Windflow 500 turbines that represents in excess of \$45 million in sales revenue.

Road access to the turbine sites was completed within the reporting period and the earthworks required have been reduced by the introduction of single pile foundations. This development will also result in significantly less concrete and steel being required in the infrastructure. Since balance date, the installation of towers has commenced.

A new 33 kV power supply to the site is expected to be energized within a week (at time of writing), so that the new turbines can be installed and commissioned. Weather permitting, we should now make very fast progress on this as we have a backlog of more than twenty nacelles and blade pairs ready for installation.

Our role project managing the Te Rere Hau design-build as well as the manufacturing of Windflow 500 turbines has extended our capabilities in site development and this knowledge will be an invaluable part of the future Long Gully project (see section below for more details) in more demanding ridge-top terrain subject to very high wind speeds.

## **MIGHTY RIVER POWER**

At the end of the financial year Windflow announced a conditional agreement under which it would construct a wind farm at Long Gully, near Wellington for Mighty River Power Limited, using the Windflow 500 turbine (subject to resource consent for the project).

The selection of the Windflow product by a major generator and State Owned Enterprise is a significant step forward.

This development is a huge endorsement for the robustness of the Windflow 500

turbine and an unexpected bonus in a growth year. The exact number of turbines Mighty River Power will require is subject to the consent process. Windflow's provisional estimate is about 20 turbines. An additional feature of the transaction is that Windflow will be project manager for the wind farm development and consent processes at Long Gully.

Long Gully is within 30 minutes of the Wellington CBD, and is behind the suburb of Brooklyn. Once operational this wind farm will be a showcase of the type of embedded generation that use of the Windflow turbine makes possible.

In addition Mighty River Power intends to become a cornerstone 19.95% shareholder in Windflow, effective from the second half of October 2008.

Both these transactions were approved by Windflow's shareholders at a Special Meeting on 27 August 2008.

## **RESEARCH AND DEVELOPMENT**

Windflow is making steady progress in the development of a wind-diesel variant of the Windflow 500 for island nations and isolated regions that rely on diesel for electricity generation. Other R&D activity includes a low variable speed variant and a 60 Hz variant targeting markets in North America, Central and South America and certain South Pacific markets.

## **MARKETING**

New opportunities to sell the Windflow 500 are emerging. Our increased operating strength has been a factor in having our technology featured in resource consent applications for wind farm developments at sites other than Te Rere Hau. The Mt Cass site in the Hurunui District is a case in point with our 'smaller and smarter' message promoted to developers MainPower who have as a result included the Windflow 500 as one of the three wind farm design envelopes in its resource consent application for a wind farm on Mt Cass. This will allow the Windflow 500 (R33) turbine to be compared with larger European three-blade turbines (designated R60 and R90).

**Mighty River Power** is a State Owned Enterprise which is an integrated energy generation, trading, retailing and metering business. It owns and/or manages a diverse and expanding portfolio of generation assets throughout the North Island, which accounts for up to 22% of New Zealand's peak energy demand. It also sells electricity and gas to more than 300,000 customers through its retail business Mercury Energy.

Mighty River Power is making good progress towards adding wind generation to its diversified generation portfolio with the aim of developing up to 500 MW of wind by 2015. The company has identified a number of potential wind generation sites throughout New Zealand that are in various stages of investigation, monitoring and consultation at these sites.

The strengths of the Windflow alternative include lower environmental impact, reduced transport costs, and logistics advantages throughout the construction phase.

The progress of the resource consent application is outside of the control of Windflow, as is the outcome of our inclusion in the application lodged with the Hurunui District Council.

The new office and manufacturing facility has been visited by numerous prospective buyers keen to see for themselves the new assembly line in action. Windflow is also actively engaged in site assessments and wind monitoring work on several potential wind farm sites overseas.

As reported last year Windflow is working with Na Makani, the developer of a proposed wind farm in Hawaii, on a project which might involve Na Makani purchasing two Windflow 500's initially, with more to follow. Progress with this project has involved some innovative design work on a pumped-hydro storage concept as an adjunct to the basic turbine installation. The need for this arises because of the small size of the local grid, which has already experienced frequency disturbances due to existing conventional wind farms. Windflow has reported on the proposed technical innovations to improve the frequency control at two conferences:

- Australasian Hydro conference in Christchurch (May)
- American Wind Energy Association conference in Houston, Texas (June)

Na Makani is presently negotiating with the local power company regarding grid connection and power purchase contracts. Those negotiations, along with further progress on this project, have been delayed because of regulatory changes introduced in the State of Hawaii. In the context these delays have not been too uncomfortable for Windflow because of the focus which has been placed on other activities to commercialise the turbine in New Zealand.

Windflow submitted another proposal last year in response to a request to erect two turbines in the mainland USA. Our proposal was as subcontractor to a US-based contractor. Initially this seemed very promising when the contractor advised that Windflow's proposal had been successful. However the contractor was subsequently unable to close the deal and as a result that particular project was cancelled.

This is only a minor setback to Windflow's longer-term aspirations domestically and internationally. Several new sales prospects in New Zealand and overseas, particularly in the United States, have emerged. These are being followed up with an increasing level of marketing activity as Windflow now has three full-time people in its marketing team, whereas in previous years there has only been one. Recent market development activity has included participation in a renewable energy conference in Chile and attendance at the American Wind Energy Association annual conference in Houston, Texas, where considerable interest in the Windflow 500 was expressed.

## **AWARDS**

Windflow's win in the product category of the EECA Energy Wise industry awards was recognition of its standing in the renewable energy sector and followed an award from the Sustainable Business Network. Since balance date, Windflow has been named a finalist in the Champion Canterbury Awards (Manufacturing Category) and Geoff Henderson has been named a finalist for the Ernst and Young Entrepreneur of the Year.

## OUTLOOK

Windflow is looking forward with confidence to the forthcoming completion of the 2007-08 capital raising round with the exercise of 2008 options next month. On a fully subscribed basis the options exercise will result in the issue of 1.68 million additional ordinary shares and capital raised of \$5.5 million before issue expenses. The exercise period is 1-30 September.

The subscription of a cornerstone shareholding by Mighty River Power is estimated to raise approximately \$7.7 million.

Total new capital subscribed over the next two months could amount to some \$12-13 million, representing a considerable strengthening of Windflow's balance sheet and supporting the ramping up of turbine production to meet a pipeline of actual and anticipated orders, an enhanced R&D programme focused on new variants of the Windflow 500, and market development.

In summary Windflow is striving to ensure that the energy market, media, and special interest groups appreciate that not all wind turbines are the same, and that the costs, technical capabilities, production time-line, and environmental footprint associated with the Windflow 500 differentiate it positively from the much larger turbines manufactured overseas.

The directors see an exciting year ahead in which the key objectives are to achieve IEC certification, maintain continuous turbine production, stabilise operational overheads and mitigate the higher level of raw material costs. The directors are confident the full year 2009 will be a year of strong growth.



Barrie Leay  
CHAIRMAN



Geoff Henderson  
CHIEF EXECUTIVE AND DIRECTOR

**PRELIMINARY FULL YEAR REPORT ANNOUNCEMENT**

**Windflow Technology Limited**

(Name of Listed Issuer)

**For Full Year Ended 30 June 2008**

(referred to in this report as the "current full year")

Preliminary full year report on consolidated results (including the results for the previous corresponding full year in accordance with NZAX Listing Rule B1.4.2.)

This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on financial statements which are presently being audited.

The Listed Issuer has a formally constituted Audit Committee of the Board of Directors.

**Consolidated Income Statement**

<b>1 CONSOLIDATED INCOME STATEMENT</b>	<b>Current full year \$NZ'000</b>	<b>Up/(Down) %</b>	<b>Previous corresponding full year \$NZ'000</b>
<b>1.1 OPERATING REVENUE</b>			
(a) Trading Revenue	10,991	355.9	2,411
(b) Other Revenue	1,117	179.3	400
(c) Total Operating Revenue	12,108	330.7	2,811
<b>1.2 OPERATING SURPLUS (DEFICIT) BEFORE TAXATION</b>	( 2,044)	38.3	( 3,314)
(a) Less taxation on operating result			
<b>1.3 OPERATING SURPLUS (DEFICIT) AFTER TAXATION</b>	( 2,044)	38.3	( 3,314)
(a) Gain on transfer of assets to Joint Venture			
(b) Extraordinary Items after Tax [detail in Item 3]			
(c) Unrealised net change in value of investment properties			
<b>1.4 NET SURPLUS FOR THE PERIOD</b>	( 2,044)	38.3	( 3,314)
(a) Net Surplus attributable to minority interests			( 30)
<b>1.5 NET SURPLUS ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER</b>	( 2,044)	37.8	( 3,284)

**Consolidated Income Statement**

<b>2 DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/ EXPENSES FOR HALF YEAR YEAR</b>	<b>Current full year \$NZ'000</b>	<b>Previous corresponding full year \$NZ'000</b>
<b>2.1 INCLUDED IN CONSOLIDATED INCOME STATEMENT</b>		
(a) Interest revenue included in Item 1.1(b)	536	196
(b) # Unusual items for separate disclosure (gain/loss) (detail - Item 3)		
(c) Equity earnings (gain/loss) (detail - Item 16)		
(d) Interest expense included in Item 1.2 (include all forms of interest, etc)		
(e) Leasing and renting expenses	225	115
(f) Depreciation	520	291
(g) Diminution in the value of assets (other than depreciation)		
(h) Amortisation of goodwill		
(i) Amortisation of other intangible assets	116	75
(j) Impairment of goodwill		
(k) Impairment of other intangible assets		

**Consolidated Income Statement**



5 EARNINGS PER SECURITY		
Calculation of basic and fully diluted, EPS in accordance with IAS33: Earnings Per Share	Current full year NZ cents	Previous corresponding full year NZ cents
(a) Basic EPS	(23.93)	(49.30)
(b) Diluted EPS (if materially different from (a))	(23.14)	(49.30)

6 MATERIAL ACQUISITIONS OF SUBSIDIARIES (See Note (VII) attached):	
(a) Name of subsidiary or group of subsidiaries	None
(b) Percentage of ownership acquired	
(c) Contribution to consolidated net *Surplus (Deficit) (Item 1.4)	
(d) Date from which such contribution has been calculated	

7 MATERIAL DISPOSALS OF SUBSIDIARIES (See Note (VII) attached)	
(a) Name of subsidiary or group of subsidiaries	None
(b) Contribution to consolidated net *Surplus (Deficit) (Item 1.4)	\$
(c) Date from which such contribution has been calculated	
(d) Contribution to consolidated net *Surplus (Deficit) (Item 1.4) for the previous corresponding half year/full year	
(e) Contribution to consolidated net *Surplus (Deficit) (Item 1.4) from sale of subsidiary	\$

8 REPORTS FOR INDUSTRY AND GEOGRAPHICAL SEGMENTS
The group develops and manufactures wind turbines in New Zealand.

**Consolidated Balance Sheets**

	At end of current full year \$NZ'000	As shown in last Annual Report \$NZ'000
<b>9.1 CURRENT ASSETS:</b>		
(a) Cash	5,441	2,161
(b) Trade and other receivables	6,631	3,785
(c) Term Deposits		
(d) Inventories	5,889	416
(e) Other assets, current	164	1,785
<b>TOTAL CURRENT ASSETS</b>	<b>18,125</b>	<b>8,147</b>
<b>9.1 NON-CURRENT ASSETS</b>		
(a) Trade receivables		
(b) Investments	2,790	3,600
(c) Inventories		
(d) Property, plant and equipment	1,162	882
(e) Turbine deposits		
(f) Capital work in progress		
(g) Goodwill	105	
(h) Deferred Taxation Assets		
(i) Other Intangible Assets	1,556	159
(j) Other assets, non current		
<b>9.2 TOTAL NON-CURRENT ASSETS</b>	<b>5,613</b>	<b>4,641</b>
<b>9.3 TOTAL ASSETS</b>	<b>23,738</b>	<b>12,788</b>
<b>9.4 CURRENT LIABILITIES</b>		
(a) Trade Creditors	2,872	1,029
(b) Income tax		
(c) Secured loans		
(d) Unsecured loans		
(e) Provisions, current	441	558
(f) Other liabilities, current	13,150	6,552

<b>TOTAL CURRENT LIABILITIES</b>	16,463	8,139
<b>9.5 NON-CURRENT LIABILITIES</b>		
(a) Accounts payable, non-current		
(b) Secured loans		
(c) Unsecured loans		
(d) Provisions, non-current		
(e) Deferred taxation liability		
(f) Other liabilities, non-current		
<b>9.6 TOTAL NON-CURRENT LIABILITIES</b>		
<b>9.7 TOTAL LIABILITIES</b>	16,463	8,139
<b>9.8 NET ASSETS</b>	7,275	4,649
<b>9.9 SHAREHOLDERS' EQUITY</b>		
(a) Share capital	17,785	12,361
(b) Reserves		
(i) Revaluation reserve		
(ii) Other reserves	1,943	2,753
(c) Retained Surplus (Accumulated Deficit)	(12,453)	(10,409)
<b>9.10 SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER</b>		
(a) Minority equity interests in subsidiaries		(56)
<b>9.11 TOTAL SHAREHOLDERS' EQUITY</b>	7,275	4,649
(a) Returns on Assets (%) (EBIT divided by Total Assets)	(8.6)	(25.9)
(b) Return on Equity (%) (Net Income divided by Shareholders' Equity)	(28.1)	(70.6)
(c) Debt to Equity Ratio (%) (Total Liabilities divided by Shareholders' Equity)	226.3	175.1

**Consolidated  
Cash Flow Statement**

<b>10 CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>	Current full year \$NZ'000	Previous corresponding full year \$NZ'000
(a) Receipts from customers	14,940	5,663
(b) Interest received	536	215
(c) Funding Received	74	14
(d) Payments to suppliers and employees	(14,440)	( 5,411)
(e) Interest paid	(3)	(20)
(f) Foreign Currency Losses		( 51)
(g) Other cash flows relating to operating activities	(552)	284
<b>NET OPERATING CASH FLOWS</b>	555	694
<b>11 CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>		
(a) Disbursed from Term Deposit Accounts		
(b) Cash proceeds from sale of investments	30	
(c) Loans repaid by other entities		
(d) Cash paid for purchases of property, plant and equipment	(809)	(195)
(e) Interest paid - capitalised		
(f) Cash paid for purchases of equity investments	(5)	
(g) Purchase of Intangible Asset	(1,514)	
(h) Other cash flows relating to investing activities	(467)	
<b>NET INVESTING CASH FLOWS</b>	(2,765)	(195)
<b>12 CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		
(a) Cash proceeds from issue of shares, options, etc. (net)	5,552	68
(b) Borrowings		
(c) Repayment of borrowings	(62)	

(d) Advance to Equity Partners		(1)
(e) Other cash flows relating to financing activities		
<b>NET FINANCING CASH FLOWS</b>	5,490	67

<b>13 NET INCREASE (DECREASE IN CASH HELD)</b>	3,280	566
(a) Cash at beginning of full year	2,161	1,595
(b) Exchange rate adjustments to Item 12.3(a) above		
<b>(c) CASH AT END OF FULL YEAR</b>	5,441	2,161

**14 NON-CASH FINANCING AND INVESTING ACTIVITIES**

Provide details of financing and investing transactions which have had a material effect on group assets and liabilities but did not involve cash flows: **None**

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**15 RECONCILIATION OF CASH**

For the purposes of the above Statement of cash flows, cash includes:

Cash on hand, at bank and funds on deposit at banks  
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.....

Current full year NZ\$'000	Previous corresponding full year NZ\$'000
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Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:

Cash on hand and at bank	5,441	2,161
Deposits at call		
Bank overdraft		
Other - Term Deposits		
	5,441	2,161

**16 EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES**

Information attributable to the reporting group's share of investments in associates and other material interests is to be disclosed by way of separate note below (refer FRS-38 Accounting for Investments in Associates).

**16.1 GROUP SHARE OF RESULTS OF ASSOCIATES**

Nil

- (a) OPERATING SURPLUS (DEFICIT) BEFORE TAX
- (b) Less tax
- (c) OPERATING SURPLUS (DEFICIT) AFTER TAX
  - (i) Extraordinary items
- (d) NET SURPLUS (DEFICIT) AND EXTRAORDINARY ITEMS AFTER TAX

Equity Earnings	
Current full year \$NZ'000	Previous corresponding full year NZ\$'000

**16.2 MATERIAL INTERESTS IN CORPORATIONS NOT BEING SUBSIDIARIES**

(a) The group has a material (from group's viewpoint) interest in the following corporations:

Name	Percentage of ordinary shares held at end of full Year		Contribution to net surplus (Item 1.5)	Contribution to net surplus (Item 1.5)
	Current full Year	Previous Corresponding full Year	Current full Year NZ\$'000	Previous corresponding full Year NZ\$'000
	<b>Equity Accounted Associates</b>			

<b>Other Material Interests</b>				

(b) Investments in Associates

Nil

Carrying value of investments in associates beginning of financial year

Share of changes in associates' post acquisition surpluses/and reserves:

- Retained surplus
- Reserves

Net goodwill amortisation and impairment adjustments in the period

Less Dividends received in the period

Equity carrying value of investments at the end of half year/full year

Amount of goodwill included in carrying value at end of that half year/full year

Current Full Year \$NZ'000	Previous corresponding full year \$NZ'000

**17 ISSUED AND QUOTED SECURITIES AT END OF CURRENT FULL YEAR**

Category of Securities	Number	Number Quoted
<b>PREFERENCE SHARES:</b>		
# (Description)		
Issued during current full year		
<b>ORDINARY SHARES:</b>		
<b>Beginning of full year</b>		6,721,867
Issued during current full year		1,819,556
End of full year		8,541,423
<b>CONVERTIBLE NOTES</b>		
# (Description)		
Nil		
Issued during current full year		
<b>OPTIONS:</b>		
		On Issue
Shareholder Options		932,315
Employee Options		54,467
Issued during current full year		
<b>DEBENTURES - Totals only:</b>	\$	

<b>UNSECURED NOTES - Totals only:</b>	\$	
<b>OTHER SECURITIES</b>	\$	\$

# Description includes rate of dividend or interest and any redemption or conversion rights together with the prices and dates thereof.

**18 COMMENTS BY DIRECTORS**

If no report in any section, state NIL. If insufficient space below, provide details in the form of notes to be attached to this report.

- (a) Material factors affecting the revenues and expenses of the group for the current year  
**Refer to Directors Review**
- (b) Significant trends or events since end of current year  
**Refer to Directors Review**
- (c) Changes in accounting policies since last Annual Report to be disclosed  
**Changes as a consequence of adopting NZIFRS**  
**IEC certification costs are now being capitalised**
- (d) Critical Accounting Policies - Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer's financial condition and results, as they require management to make judgments and estimates about matters that they are inherently uncertain  
**Revenue recognition of partially completed turbines uses the percentage completion method**
- (e) Management's discussion and analysis of financial condition, result and/or operations (optional) - this section should contain forward looking statements that should outline where these involve risk and uncertainty  
**Refer to Directors Review**
- (f) Other comments  
**Nil**

**19 DIVIDEND**

- (a) Dividend Yield as at balance date (%) (Annual dividend per share divided by price per share)  
**It is proposed that no dividend will be paid**
- (b) Tax Adjusted Dividend Yield as at balance date (%) (Annual net dividend per share divided by price per share)  
**n/a**

**20 ANNUAL MEETING (if full year report)**

- (a) To be held in **Christchurch**
- (b) Date **29 October 2008** Time **7.00 p.m.**
- (c) Approximate date of availability of Annual Report

If full half year report was approved by resolution of the Board of Directors, please indicate date of meeting:

	11/09/2008
(signed by) Authorised Officer of Listed Issuer	12/09/2008
	(date)

\*Delete as required