WINDFLOW

WINDFLOW TECHNOLOGY LTD
ANNUAL REPORT 2008

A YEAR OF TRANSFORMATION

CONTENTS

WINDFLOW

a global leader in wind turbine technology innovation

TRANSFORMATIONAL YEAR FOR WINDFLOW

Wind turbine manufacturer Windflow Technology Ltd (Windflow Technology) 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 Technology is now a fully-fledged manufacturer in its own right, while retaining and strengthening its R&D capabilities, which are increasingly gaining Windflow Technology a reputation as a "centre of excellence".

In the year to 30th 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 Technology 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 Technology 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 Ltd 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 30th 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 Technology 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 Technology 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 Technology 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 Technology achieves the levels associated with steady production of 60 turbines per year or more.

For the financial year to 30th 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 the treatment of 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 Technology 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.

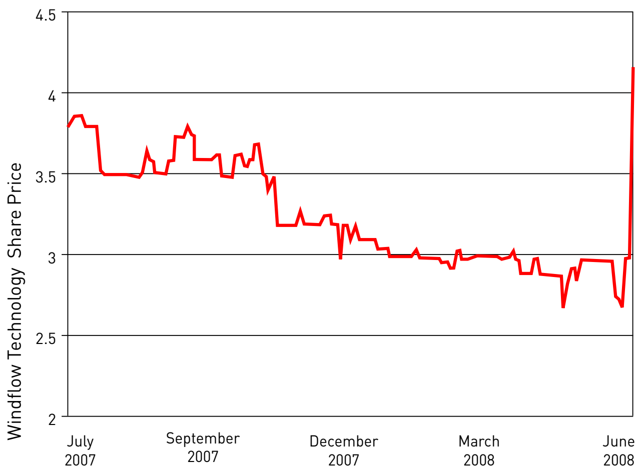
In the current year to 30th June 2009 Windflow Technology is facing greater than anticipated costs largely due to the increased cost of raw materials. The wind turbine industry is facing increased costs for raw materials worldwide, and Windflow Technology's costs of production have included a 91% increase 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 Windflow Technology 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 $7.27 million ($4.65 million last year).

Windflow Technology Share Price



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 Technology'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 Technology 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 Technology a fully-fledged manufacturer in its own right. At the same time Windflow Technology 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 Technology to develop a company culture of design and manufacturing excellence. In the past 12 months Windflow Technology 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 Technology'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 Technology 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 Ltd. This Auckland-based subsidiary is producing a pair of blades every eight days.

Another significant development has been the formation of Wind Gears Ltd, a company owned 50% by Windflow and 50% by AH Gears Ltd, which has been the designer and manufacturer to date of the Windflow Technology patented Torque Limiting Gearbox, the 'heart' of our robust Windflow 500 wind turbine. Wind Gears Ltd 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 Technology 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 Technology has developed an improved construction detail which addresses the fundamental fatigue issue. This is currently being tested.

MANUFACTURING EVALUATION

Windflow Technology'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

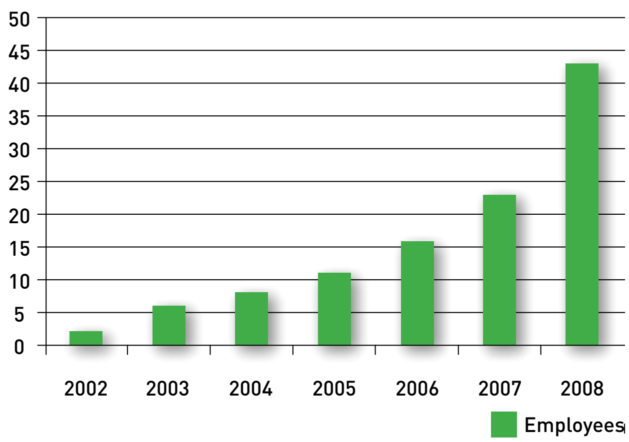
Completion of the design documentation for Design Evaluation has progressed during the year. Most documents have been submitted to Lloyds Register and Windflow Technology is presently finalising the calculations, which pull together all the related work from the Type Testing process.

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 organisational development expertise and to share the considerable workload that CEO Geoff Henderson has shouldered in leading Windflow Technology 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 Technology's day to day work and will commence on a full time basis by January 2009.

Windflow Technology Employees by Year
(Parent Company only)



> "Completion of the full installation, of 97 turbines, will enable Windflow Technology to showcase its strengths as a competitive New Zealand manufacturer of wind turbine technology."

TE RERE HAU WIND FARM

In the second half of the year to 30th 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 the warranty level of 95%, requiring compensation to 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 Technology 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 has just been energised (in mid-September), so that the new turbines can be installed and commissioned. Weather permitting, very fast progress should now be made as there is a backlog of more than twenty nacelles and blade pairs ready for installation.

The role of project managing the Te Rere Hau design-build as well as the manufacturing of Windflow 500 turbines has extended Windflow Technology's 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.

RESEARCH AND DEVELOPMENT

Windflow Technology 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. Windflow Technology's increased operating strength has been a factor in having its 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 the '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).

The strengths of the Windflow Technology 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 Technology, as is the outcome of the Windflow 500's 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 Technology is also actively engaged in site assessments and wind monitoring work on several potential wind farm sites overseas.

As reported last year Windflow Technology 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 Technology 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 Technology because of the focus which has been placed on other activities to commercialise the turbine in New Zealand.

Windflow Technology 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 Technology'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 Technology'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 Technology 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

WindflowTechnology's win in the product category of the EECA EnergyWise 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 Technology 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.

> Price competitive on the international market and offering environmental benefits such as lower embedded energy in manufacturing.

The judges of the Energy Efficiency and Conservation Authority's EnergyWise Awards

MIGHTY RIVER POWER

At the end of the financial year Windflow Technology announced a conditional agreement under which it would construct a wind farm at Long Gully, near Wellington for Mighty River Power Ltd, 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 Technology's provisional estimate is about 20 turbines. An additional feature of the transaction is that Windflow Technology 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 Technology turbine makes possible.

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

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

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.

OUTLOOK

Windflow Technology is looking forward with confidence to the forthcoming completion of the 2007-08 capital raising round with the exercise of 2008 options this 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 Technology'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 Technology 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
DIRECTOR

Geoff Henderson
CHIEF EXECUTIVE
AND DIRECTOR

17th September 2008

ENVIRONMENTAL REPORT

WITHIN NATURE'S FRAME AND WITHIN OUR BUSINESS FOCUS

Windflow Technology takes pride in the contribution that it is making to renewable energy and the security of supply in New Zealand. In doing so the company strives to review and mitigate its environmental footprint, which is one of the smallest in the wind energy sector.

While this environmental report seeks to cover only the initial stages of a more comprehensive environmental report it is intended that the company will move towards measuring and monitoring its inputs more fully while aiming to reduce any adverse effects of its operation wherever practical.

Windflow Technology's environmentally friendly business focus includes actions to:

Reduce emissions

- Promoting non vehicle travel through the provision of cycle racks and change /shower facilities
- Switching to hybrid motor vehicles for company purposes. Currently Windflow Technology owns two Toyota Prius cars with a further one anticipated

Reduce waste

- Favouring electronic communication including newsletters where possible
- Ensuring all printed material from company computers is double sided
- Ensuring all photocopying is double sided

Promote recycling

The staff cafeteria enables recycling of glass, cans, plastics and paper.

Commit to environmental working bees and community engagement

This year the team at Windflow Technology undertook habitat restoration and tree planting at Quail Island nature reserve. In addition several staff opted to join in with the Department of Conservation's community walk day to Mt Grey in the Hurunui District.

Monitor and Manage our Supply Chain

Windflow Technology uses local suppliers for over 90% of the component parts needed for the Windflow 500. This New Zealand made commitment is a strong indicator of how Windflow Technology minimises its overall carbon emissions across transport and logistics activities in the manufacture of the turbines.

Windflow Technology also seeks to reduce packaging waste by co-ordinating a recycling scheme with key suppliers whereby, when practical, large packaging cartons and boxes are held and returned with each new delivery.

Identify and implement design build enhancements

In addition Windflow Technology has attached a high priority to the design refinement of its Windflow 500 to further minimise its construction footprint. The development of an innovative single pile foundation is a prime example which reduces demand for concrete and steel. The Windflow 500 features a lighter overall weight per unit of output and lower height than other turbines which reinforces its low environmental impact. The Windflow 500 can be installed and made operational without any extra road strengthening, bridge widening or massive onsite earthworks and oversized cranes. Navigation lights are also not needed as the Windflow 500, at 47 m to tip of the blade is smaller than the largest kauri tree hence the descriptor 'within nature's frame'.

Goldsmith Fox PKF Audit
Chartered Accountants

Audit Report
To the Shareholders of Windflow Technology Limited

We have audited the financial report on pages 12 to 37. The financial report provides information about the past financial performance and financial position of the company and group as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 18 to 21.

Directors' Responsibilities
The Board of Directors is responsible for the preparation of a financial report which gives a true and fair view of the financial position of the company and group as at 30 June 2008 and the results of operations and cash flows for the year ended on that date.

Auditor's Responsibilities
It is our responsibility to express an independent opinion on the financial report presented by the directors.

Basis of Opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial report; and
- whether the accounting policies are appropriate to the company and group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial report is free from material misreport, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Unqualified Opinion
We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 12 to 37:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - gives a true and fair view of the financial position of the company and group as at 30 June 2008 and the results of operations and cash flows for the year ended on that date.

Our audit was completed on 17 September 2008 and our unqualified opinion is expressed as at that date.

Goldsmith Fox PKF Audit.

Christchurch
New Zealand

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June 2008

	Notes	This Year Group ($,000)	This Year Parent ($,000)	Last Year Group ($,000)	Last Year Parent ($,000)
Operating Revenue	1	10,991	10,870	2,411	2,018
Cost of Sales		10,235	10,517	3,124	2,825
Gross Profit from Operations		756	353	(713)	(807)
Add:-					
Other Revenue	1	1,117	1,108	400	402
Less:-					
Amortisation of Licences and Patents		116	116	75	75
Engineering and IEC Certification Costs		-	-	1,168	1,168
Depreciation		558	509	283	282
Research and Development Costs		768	768	257	257
Marketing Costs		447	447	259	259
General and Administration Costs		2,028	1,625	959	806
Operating Expenses	2	3,917	3,465	3,001	2,847
Net Deficit		**(2,044)**	**(2,004)**	**(3,314)**	**(3,252)**
Net Deficit comprises:					
Parent Interests		(2,044)	(2,004)	(3,284)	(3,252)
Minority Interests		-	-	(30)	-
Net Deficit		**(2,044)**	**(2,004)**	**(3,314)**	**(3,252)**
Earnings per Share – Basic	4	(0.24)		(0.49)	
Earnings per Share – Diluted		(0.23)		(0.48)	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2008

	This Year		Last Year	
	Group ($,000)	**Parent ($,000)**	**Group ($,000)**	**Parent ($,000)**
Equity at Beginning of Year	4,649	4,784	6,007	6,303
Plus				
Adjustment of Associate Equity at beginning of year due to new issue	-	-	222	-
Adjustment of Associate Equity Opening Balance due to losses	-	-	1	-
	4,649	4,784	6,230	6,303
Less				
Net Deficit comprises				
Parent interests	(2,044)	(2,004)	(3,284)	(3,252)
Minority Interests	-	-	(30)	-
Total Net Deficit	(2,044)	(2,004)	(3,314)	(3,252)
Contributions from Owners				
Ordinary shares Issued during the Year	5,424	5,424	68	68
Revaluation of shares - NZ Windfarms Ltd	(810)	(810)	1,665	1,665
Acquisition of Minority Interest	56	-	-	-
Equity at End of Year	**7,274**	**7,394**	**4,649**	**4,784**
Equity at end of year comprises:				
Parent interests	7,330	7,394	4,705	4,784
Minority Interests	(56)	-	(56)	-
	7,274	**7,394**	**4,649**	**4,784**

CONSOLIDATED BALANCE SHEET

As at the 30th June 2008

	Notes	This Year Group ($,000)	This Year Parent ($,000)	Last Year Group ($,000)	Last Year Parent ($,000)
Current Assets					
Cash on Hand and at Bank	**12**	5,442	5,370	2,161	2,113
Interest Accrued		11	11	1	1
Accounts Receivable		6,591	6,591	3,785	3,784
Prepayments and Accruals		165	148	108	107
Retentions Sale of Turbines		-	-	315	315
Stock Prepaid		4,827	4,827	1,334	1,334
Work in Progress and Stock on Hand		1,062	928	416	255
Total Current Assets		**18,098**	**17,875**	**8,120**	**7,909**
Non-Current Assets					
Property, Plant & Equipment	**13**	1,162	1,057	882	822
Intangible Assets	**14**	1,661	1,556	159	159
Advances to Associates					
Advance to Windpower Otago Ltd		26	26	26	26
Advance to Windpower Maungatua Ltd		-		1	1
Advances to Subsidiary					
Advance to Wind Blades Ltd		-	482	-	544
Investments					
Shares - NZ Windfarms Ltd		2,790	2,790	3,600	3,600
Subsidiaries					
Shares - Wind Blades Ltd		-	90	-	22
Associates					
Shares - Associate Companies		-	5	-	-
Total Non Current Assets		**5,639**	**6,006**	**4,668**	**5,174**
Total Assets		**23,737**	**23,881**	**12,788**	**13,083**

	Notes	This Year Group ($,000)	This Year Parent ($,000)	Last Year Group ($,000)	Last Year Parent ($,000)
Shareholders' Equity					
Contributed Capital	**7**	17,785	17,785	12,361	12,361
Retained Earnings/Deficit	**8**	(12,455)	(12,335)	(10,411)	(10,331)
		5,330	5,450	1,950	2,030
Minority Interest:					
Contributed Capital		-	-	22	-
Retained Earnings Account		-	-	(76)	-
		-	-	(56)	-
Revaluation Reserve	**9**	1,944	1,944	2,754	2,754
Total Shareholders' Equity		**7,274**	**7,394**	**4,649**	**4,784**
Current Liabilities					
Progress Payments Held		13,150	13,150	6,552	6,552
Accounts Payables and Accruals		2,871	2,895	1,028	1,187
Provisions	**11**	442	442	559	559
Total Current Liabilities		**16,463**	**16,487**	**8,139**	**8,298**
Total Equity and Liabilities		**23,737**	**23,881**	**12,788**	**13,083**

Signed for and on behalf of the Board
17th September 2008

Barrie Leay
Director

Keith James McConnell
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June 2008

	Notes	This Year Group ($,000)	This Year Parent ($,000)	Last Year Group ($,000)	Last Year Parent ($,000)
Cash Flows from operating activities	**18**				
Cash was provided from:					
Receipts from Consulting Fees		221	221	117	117
Sales of Turbines		14,219	14,219	5,546	5,101
New Zealand Trade and Enterprise Grant		74	69	14	-
Other Income		495	258	256	255
Interest Received		536	532	215	214
Net GST Inflows/(Outflows)		(581)	(590)	29	23
		14,964	14,709	6,177	5,710
Cash was disbursed to:					
Payments to Suppliers		12,011	12,475	4,091	3,665
Payments to Employees		2,393	1,825	1,320	979
Foreign Currency Losses		-	-	51	51
Income Tax Paid		2	-	-	-
Marketing Expenses		270	270	-	-
Development Expenses		197	197	-	-
Interest Paid		1	1	20	-
		14,874	14,768	5,482	4,695
Net Cash Flows from operating activities		**90**	**(59)**	**695**	**1,015**
Cash Flows from investing activities					
Cash was provided from:					
Sale of Shares in Associate		30	30	-	-
		30	30	-	-
Cash was disbursed to:					
Acquisition of Intangible Assets		1,514	1,514	-	-
Purchase of Property, Plant and Equipment		809	747	195	184
		2,323	2,261	195	184
Net Cash Flows from investing activities		**(2,293)**	**(2,231)**	**(195)**	**(184)**

	This Year		Last Year	
	Group ($,000)	Parent ($,000)	Group ($,000)	Parent ($,000)
Cash Flows from financing activities				
Cash was provided from:				
Issue of Shares	5,552	5,552	68	68
Advance from Subsidiary	(63)	-	-	-
	5,489	5,552	68	68
Cash was disbursed to:				
Advance to Subsidiary	-	-	-	336
Advance to Equity Partners	5	5	1	1
	5	5	1	337
Net Cash Flows from financing activities	**5,484**	**5,547**	**67**	**(269)**
Net Increase (Decrease) in cash held	3,281	3,257	567	560
Cash at beginning of year	2,161	2,113	1,594	1,553
Cash at end of year	5,442	5,370	2,161	2,113

For the year ended 30th June 2008

REPORTING ENTITY

Windflow Technology Ltd (the "Company") is a company incorporated in New Zealand and registered under the Companies Act 1993. The Company is an issuer for the purposes of the Financial Reporting Act 1993.

The Company, its subsidiaries and associates comprise the Windflow Technology Group.

The Company is an issuer for the purpose of the Financial Reporting Act 1993. The Financial Statements of the Company and Windflow Technology Group have been prepared in accordance with the Financial Reporting Act 1993.

The Financial Statements comprise the Consolidated Financial Statements of the group and the separate Financial Statements of the Parent Company.

NATURE OF BUSINESS

The Company is profit orientated and undertakes wind turbine development and manufacture, and operates solely within New Zealand.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates. The Financial Statements are presented in thousands of New Zealand dollars, which is the Company's functional and presentation currency.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Windflow Technology Group, except for investments in listed companies which are at market value.

COMPLIANCE WITH NEW ZEALAND EQUIVALENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS)

The Financial Report complies with New Zealand Generally Accepted Accounting Standards which include NZ IFRS. Compliance with NZ IFRS ensures that the Financial Report complies with International Financial Reporting Standards. Refer also to Note 24.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below:

Basis of Consolidation

The Consolidated Financial Statements have been prepared from the financial statements which include the Company and its subsidiaries and associates accounted for using the purchase method.

All significant inter company transactions have been eliminated on consolidation.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Company. In the Parent Company's separate Financial Statements, investments in subsidiaries have been stated at cost less any impairment losses.

Associated companies are companies in which Windflow Technology Group holds substantial shareholdings and in whose commercial and financial policy decisions it participates. Associated companies have been reflected in the Consolidated Financial Statements on an equity accounting basis, which shows the Group's share of retained surpluses in the Consolidated Income Statement, and its share of post acquisition increases or decreases in net assets in the Consolidated Balance Sheet.

Goodwill

Goodwill is stated at cost less any impairment losses and represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets acquired at the time of the acquisition of the equity interest in the subsidiary. Goodwill is assessed annually for impairment and to the extent that it is no longer probable that it will be recovered from future economic benefits of an investment, it is recognised immediately as an expense.

Revenue Recognition

Operating revenues are recognised by reference to the stage of completion of the contract. Contract revenue is matched with contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed. Foreseeable losses on a contract are recognised in the Income Statement immediately.

Investment Revenue

Investment revenue from investments and deposits is recognised on an accruals basis.

Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate ruling when they occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the Balance Sheet dates or at a rate approximating that rate. Any differences are taken to the Income Statement.

Stock on Hand

Stocks of component parts are recognised at lower of cost determined on a first-in first-out basis and net realisable value.

Work in Progress includes the cost of direct materials, components, direct labour and direct manufacturing costs.

Stock Prepaid

Stock Prepaid comprises goods supplied and paid for but not on hand at the factory site. Typically such items include gearboxes, nacelles and generators. These amounts are brought to account as "Stock Prepaid" in the Balance Sheet.

Goods and Services Tax (GST)

The Financial Statements have been prepared on a GST exclusive basis; except that all receivables and payables have been shown GST inclusive to the extent that GST is payable or receivable on the transaction that gave rise to the payable or receivable.

Financial Instruments

Financial instruments are recognised within the Consolidated Balance Sheets when the Group becomes party to a financial contract. They include cash and bank deposits, receivables, payables and investment in others. The valuation and recognition method adopted for each of these instruments is disclosed in the policy statement associated with each particular item.

Receivables and Payables

Receivables and payables are initially recorded at cost. Due allowance is made for impaired receivables.

Investments

Shares in listed companies held as long term assets are initially recorded at cost and subsequently revalued to market bid price as a measure of fair value. Any revaluation surplus arising on the revaluation of an investment is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for the asset is recognised in the Income Statement in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recorded in the Income Statement are recognised as revenue in the Income Statement in the period it arises.

Taxation

Taxation recognised in the Income Statement for the period includes both the current year's provision and the income tax effect of:

- Taxable temporary differences, except those arising from initial recognition of goodwill and other assets that are not depreciated; and
- Deductable temporary differences to the extent that it is probable that they will be utilised.

Tax effect accounting is applied on a comprehensive basis to all timing differences using the liability method.

A deferred tax asset is only recognised to the extent that it is probable there will be taxable profit to utilise the temporary differences.

For the year ended 30th June 2008

Property, Plant and Equipment

The group has the following classes of property, plant and equipment:

- Wind Turbine and Associated assets
- Plant
- Motor Vehicles
- Leasehold Improvements
- Office Equipment
- Assets under Construction

All property, plant and equipment are initially recorded at cost.

Depreciation is provided on a straight line basis on all tangible property, plant and equipment at depreciation rates calculated to allocate the assets' cost, less the residual value, over their estimated useful life.

No depreciation is charged on partially constructed assets.

Major depreciation periods are:

• Wind Turbine and Associated Assets	4.8 to 15.1 years
• Motor Vehicles	4.7 to 5.6 years
• Leasehold Improvements	11.9 years
• Office Equipment	2.1 to 8.3 years
• Blade Moulds	amortised over 50 sets of blades

Intangibles

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

Intangible assets include patents, licenses and certifications and are amortised equally over their useful lives from the time the patent, license or certification is available.

If an intangible asset is created by the Company it capitalises the external direct costs of services consumed, including expert advice, external testing and assessing agencies, and consultants associated with creating the asset.

Where estimated useful lives or recoverable values have diminished due to market conditions, amortisation is accelerated or the carrying value impaired.

Progress Payments

At the time of ordering turbines, customers are requested to pay a deposit calculated on a percentage of the total contract value. This deposit is released over the contract period

Provisions

Each turbine commissioned includes warranty cover. The full warranty cover, which extends for up to five years, is expensed in the Income Statement as a direct manufacturing expense, when the turbine is commissioned. As revenue is recognised for each turbine, the directors and management assess, and make provision for, the likely expenditure arising from the warranty. Various suppliers will also give warranties to the Company, which may offset the Company's gross cost for any warranty claims but the amount of such recovery is not assessed when the amount of any provisions are being evaluated. At the end of each year, the warranty records of all turbines are reviewed and the adequacy of the amounts provided for the remainder of the warranty period are reassessed. The provision will be increased or decreased depending on each individual turbine's history and expected future warranty claims. Any warranty claims during a period are charged to warranty expense and any warranty received from suppliers is credited to warranty monies received.

Research and Development Costs

Research expenditure is recognised in the Income Statement in the period in which it is incurred.

Development costs are deferred where future benefits are expected to exceed those costs; otherwise such costs are recognised in the Income Statement in the period in which they are incurred. Development expenditure, recognised as an asset, is stated at cost and amortised in the Income Statement over the period of expected benefits. All other development expenditure is recognised in the Income Statement as incurred.

Critical Judgements in Applying Accounting Policies

In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Company makes estimates and assumptions concerning the future. The effect on these Financial Statements is most significant in the estimated cost to complete turbine supply contracts.

Cash Flow Statement

The Cash Flow Statement is prepared exclusive of GST, which is consistent with the method used in the Income Statement. Cash includes bank balances, demand deposits and other highly liquid investments readily convertible into cash as part of the Group's day-to-day cash management.

Employee Entitlements

A liability for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave is recognised in the Balance Sheet when it is probable that settlement will be required and that they are capable of being measured reliably. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

A share option plan to the benefit of employees of the Company is in existence. (Refer Note 10)

Comparative Figures

The comparative figures shown are for the year ended 30th June 2007, these and the opening balances for that year have been modified to comply with the requirement of NZ IFRS.

Changes in Accounting Policies

The Group has implemented NZ IFRS with effect from 1st July 2007. The transition to NZ IFRS is accounted for in accordance with NZ IFRS 1 "First-time adoption of the New Zealand equivalent to International Reporting Standards". This has necessitated changes of accounting policy.

Deferred Tax is now calculated on temporary differences, rather than timing differences.

Apart from the above adoption there have been no other changes in accounting policies during the year.

For the year ended 30th June 2008

		This Year		Last Year	
		Group ($,000)	Parent ($,000)	Group ($,000)	Parent ($,000)
1	**Revenue**				
	Operating Revenue:				
	Sales of Turbines	10,679	10,679	1,911	1,911
	Other	213	100	451	58
	Maintenance Fees	99	91	49	49
		10,991	10,870	2,411	2,018
	Other Revenue:				
	Consultancy Fees	222	222	-	-
	Cost Recovery	187	187	-	-
	Foreign Currency Gains (Losses)	-	-	(51)	(51)
	New Zealand Trade and Enterprise Grant	74	69	202	202
	Interest Received	536	532	193	209
	Sundry Income	98	98	56	42
		1,117	1,108	400	402
	Total Revenue	12,108	11,978	2,811	2,420
2	**Operating Expenses**				
	Operating Expenses include:				
	Amortisation of Licences and Patents	116	116	75	75
	Research and Development Costs	768	768	257	257
	Audit Fees	16	16	13	13
	Directors' Fees	148	148	99	99
	Rent and Leases	225	124	116	50
	Depreciation	558	509	283	282
3	**Directors' Compensation**				
	Salaries	130	130	100	100
	Directors' Fees	148	148	99	99
	Option Conversion	-	140	-	54
		278	418	199	253

4 Earnings per Share

The earnings per share are calculated using the net results attributable to shareholders as the numerator.

	30th June 2008 Group $	30th June 2007 Group $
Earnings (loss) attributable to the Parent interest	(2,044,433)	(3,283,540)
Weighted average number of shares on Issue	8,541,423	6,721,867
Additional shares if all options converted	290,062	145,252
Total potential shares	8,831,485	6,867,119
Earnings per share	(0.24)	(0.49)
Diluted earnings per share	(0.23)	(0.48)

5 Taxation

	This Year		Last Year	
	Group ($,000)	Parent ($,000)	Group ($,000)	Parent ($,000)
Operating Deficit	(2,044)	(2,004)	(3,314)	(3,252)
Prima Facie Taxation Expense at 33%	(675)	(661)	(1,094)	(1,073)
Add Back Permanent Differences:				
Non Deductible Entertainment & Legal Fees	-	-	1	1
Amortisation of Intangibles	25	25	25	25
	25	25	26	26
Add Back Temporary Differences:				
Provisions	-	-	184	184
IEC Certification Expenditure	(417)	(417)	-	-
	(417)	(417)	184	184
Income Tax Expense (Benefit)	(1,067)	(1,053)	(884)	(863)
Deferred Tax Asset not Recognised:				
Deferred Tax (Benefit) at Beginning of Year	(2,906)	(2,854)	(2,041)	(1,990)
Tax loss for the year at 33c	(1,067)	(1,053)	(884)	(863)
Adjustment for Change in Tax Rate	361	355	266	259
Deferred tax (benefit) at End of Year	(3,612)	(3,552)	(2,659)	(2,594)
There is no income tax payable for the period.				
Resident withholding Tax (RWT on Interest received to be refunded	2	-	24	24
	2	-	24	24

For the year ended 30th June 2008

6 Imputation Credit Account

	This Year		Last Year	
	Group ($,000)	**Parent ($,000)**	**Group ($,000)**	**Parent ($,000)**
Balance at beginning of year	24	24	1	1
Resident Withholding Tax paid	2	-	24	24
Refunds received during the year	(24)	(24)	(1)	(1)
Balance at end of year	2	-	24	24

7 Contributed Capital

	This Year Group	This Year Parent	Last Year Group	Last Year Parent
Balance at beginning of year	12,361	12,361	12,293	12,293
Ordinary Shares Issued	5,424	5,424	68	68
Total Share Capital	17,785	17,785	12,361	12,361

	Number of Shares (in units)			
Balance at beginning of year	6,721,867	6,721,867	6,679,703	6,679,703
Shares issued during the year:				
Employee Options converted	4,736	4,736	2,380	2,380
Rights Issue	1,550,923	1,550,923	-	-
Placements	130,000	130,000	6,000	6,000
Purchase of Windblades Ltd	21,000	21,000	-	-
Options exercised arising from the purchase Of the TLG Licence	65,727	65,727	33,784	33,784
Purchase of US Patent	47,170	47,170	-	-
Total Shares on Issue	8,541,423	8,541,423	6,721,867	6,721,867

All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up. The shares have no par value.

8 Retained Earnings Account

	This Year		Last Year	
	Group ($,000)	Parent ($,000)	Group ($,000)	Parent ($,000)
Balance at beginning of year	(10,411)	(10,331)	(7,350)	(7,079)
Adjustment of Associate Equity at beginning of year due to new issue	-	-	222	-
Adjustment of Associate Equity at beginning of year due to minor losses	-	-	1	-
	-	-	223	-
	(10,411)	(10,331)	(7,127)	(7,079)
Net Deficit	(2,044)	(2,004)	(3,284)	(3,252)
Balance at end of year	(12,455)	(12,335)	(10,411)	(10,331)

9 Revaluation Reserve

The 3,000,000 shares in NZ Windfarms Ltd have been revalued to the market price of $0.93 (2007: $1.20) per share

	This Year Group ($,000)	This Year Parent ($,000)	Last Year Group ($,000)	Last Year Parent ($,000)
Balance at beginning of year	2,754	2,754	1,089	1,089
Revaluation of NZ Windfarms Ltd shares	(810)	(810)	1,665	1,665
Balance at end of year	1,944	1,944	2,754	2,754

For the year ended 30th June 2008

10 Share Option Plans

a) The Company entered into a share option plan with Mr G Henderson, the Chief Executive Officer and a Director on the 20th January 2002.

This put into effect the terms of the Licence Agreement as outlined in the prospectus, dated 9th July 2001, and as summarised below.

The agreement transferring the Torque Limiting Gearbox Licence from Wind Torque Ltd to Windflow Technology Ltd provided that a royalty is payable to Mr G Henderson for each wind turbine that is sold or retained by the Company (other than any turbines retained as demonstration turbines). The amount of the royalty is $10,000 per turbine plus 10,000 share options of $1.00 each. The total number of options is limited so that if exercised they do not represent more than either 1,000,000 shares in Windflow Technology Ltd or more than 20% of the issued share capital of Windflow Technology Ltd.

Each option to purchase shares shall expire seven months after the end of the calendar quarter. The option price is $1.00, or if a market price for Windflow Technology Ltd shares has been established at a level which raises concerns for the Directors that the option price is not fair and reasonable to existing shareholders, the option price will be determined as the average market price in the last month of the quarter less one third.

During the year Mr G Henderson exercised 65,727 shares @ $2.13. Another 122,449 options were issued with an exercise price of $2.45. These have lapsed.

The company also acquired from Mr G Henderson (Henderson Inventions) the US Patent 5140170 for $250,000 exclusive of GST. Mr henderson was required, as a condition of the sale, to purchase 47,170 shares in Windflow Technology Ltd at a price of $3.18.

b) The Company, on the 19th December 2002, entered into a share option plan for the benefit of all employees of the Company who have attained the age of twenty years and who have been employed by the Company for at least one year.

The selection of the participants and the number of options are determined by the Directors. Any offer of an option is at a price equal to the market price at the date of the resolution by the Directors to make an offer.

As at the 30th June 2008 there were 79,984 outstanding share options able to be exercised by employees (2007: 59,215).

11 Provisions

	This Year		Last Year	
	Group ($,000)	Parent ($,000)	Group ($,000)	Parent ($,000)
Deferred Maintenance Provision				
Balance at beginning of year	27	27	-	-
Provision after due assessment	-	-	27	27
	27	27	27	27
Amount deducted from deferred maintenance Provisions no longer required	27	27	-	-
Balance at end of year	-	-	27	27
Warranty Provision				
Balance at beginning of year	559	559	-	-
Amounts added to warranty provision after assessment of each turbine's history and expected claims	-	-	600	600
	559	559	600	600
Amount deducted from warranty provision for warranty provisions elapsed	117	117	68	68
Balance at end of year	442	442	532	532
Total Provisions	442	442	559	559

12 Cash on Hand and at Bank

Trading Accounts balances	379	307	1,002	954
Term Deposits maturing within six months	5,043	5,043	1,139	1,139
Term Deposits maturing within one year	20	20	20	20
	5,442	5,370	2,161	2,113

For the year ended 30th June 2008

13 Property, Plant & Equipment – Parent – 2008 ($,000)

	Opening Cost	Additions	Disposals	Closing Cost	Opening Accumulated Depreciation	Disposals	Depreciation	Closing Accumulated Depreciation	Carrying Value
Office Equipment	231	178	-	409	163	-	72	235	174
Plant (site distribution, etc)	34	-	-	34	4	-	-	4	30
Leasehold Improvements	-	27	-	27	-	-	1	1	26
Motor Vehicles	31	28	5	54	12	2	10	20	34
Components for Gebbies Pass WF500	973	-	-	973	648	-	146	794	179
Equipment	628	401	-	1,029	247	-	280	527	502
Assets under Construction	-	112	-	112	-	-	-	-	112
	1,897	746	5	2,638	1,074	2	509	1,581	1,057

Property, Plant & Equipment – Group – 2008 ($,000)

	Opening Cost	Additions	Disposals	Closing Cost	Opening Accumulated Depreciation	Disposals	Depreciation	Closing Accumulated Depreciation	Carrying Value
Office Equipment	231	178	-	409	163	-	72	235	174
Plant (site distribution, etc)	34	-	-	34	4	-	-	4	30
Leasehold Improvements	-	60	-	60	-	-	1	1	59
Motor Vehicles	31	28	5	54	12	2	10	20	34
Components for Gebbies Pass WF500	973	-	-	973	648	-	146	794	179
Equipment	736	592	161	1,167	303	39	329	593	574
Assets under Construction	-	112	-	112	-	-	-	-	112
	2,005	970	166	2,809	1,130	41	558	1,647	1,162

Property, Plant & Equipment – Parent – 2007 ($,000)

	Opening Cost	Additions	Disposals	Closing Cost	Opening Accumulated Depreciation	Disposals	Depreciation	Closing Accumulated Depreciation	Carrying Value
Office Equipment	192	39	-	231	134	-	29	163	68
Plant (site distribution, etc)	34	-	-	34	4	-	-	4	30
Motor Vehicles	21	10	-	31	6	-	6	12	19
Components for Gebbies Pass WF500	973	-	-	973	451	-	197	648	325
Equipment	459	168	-	627	197	-	50	247	380
	1,679	217	-	1,896	792	-	282	1,074	822

Property, Plant & Equipment – Group – 2007 ($,000)

	Opening Cost	Additions	Disposals	Closing Cost	Opening Accumulated Depreciation	Disposals	Depreciation	Closing Accumulated Depreciation	Carrying Value
Office Equipment	192	39	-	231	134	-	29	163	68
Plant (site distribution, etc)	34	-	-	34	4	-	-	4	30
Leasehold Improvements	4	-	-	4	-	-	1	1	3
Motor Vehicles	21	10	-	31	6	-	6	12	19
Components for Gebbies Pass WF500	973	-	-	973	451	-	197	648	325
Equipment	711	173	142	742	397	142	50	305	437
	1,935	222	142	2,015	992	142	283	1,133	882

For the year ended 30th June 2008

14 Intangible Assets – Parent – 2008 ($,000)

	Opening Cost	Additions	Disposals	Closing Cost	Opening Accumulated Amortisation	Disposals	Total Amortisation	Closing Accumulated Amortisation	Carrying Value
US Patent	-	250	-	250	-	-	41	41	209
Licenses	601	-	-	601	443	-	75	518	83
IEC Certification Costs	-	1,264	-	1,264	-	-	-	-	1,264
	601	1,514	-	2,115	443	-	116	559	1,556

Intangible Assets – Group – 2008 ($,000)

	Opening Cost	Additions	Disposals	Closing Cost	Opening Accumulated Amortisation	Disposals	Total Amortisation	Closing Accumulated Amortisation	Carrying Value
US Patent	-	250	-	250	-	-	41	41	209
Licenses	601	-	-	601	443	-	75	518	83
Goodwill on Acquisition	-	105	-	105	-	-	-	-	105
IEC Certification Costs	-	1,264	-	1,264	-	-	-	-	1,264
	601	1,619	-	2,220	443	2	116	559	1,661

Intangible Assets – Parent & Group – 2007 ($,000)

	Opening Cost	Additions	Disposals	Closing Cost	Opening Accumulated Amortisation	Disposals	Total Amortisation	Closing Accumulated Amortisation	Carrying Value
Licenses	601	-	-	601	367	-	75	442	159

15 Subsidiary and Associated Companies

Subsidiaries:

All subsidiaries were incorporated in New Zealand, have a 30th June balance date and are directly 100% owned by Windflow Technology Ltd.

Pacific Windfarms Ltd
Pacific Windfarms Ltd has not traded since incorporation.

Wind Blades Ltd
During the year Windflow Technology Ltd increased its shareholding from 50% to 100%.
Wind Blades Ltd is involved in the construction of the blades for the Windflow turbine.

Windflow Hawaii Ltd
Windflow Hawaii Ltd has not traded since incorporation.

Associates:

All associates were incorporated in New Zealand, have a 30th June balance date and the shareholdings are directly owned by Windflow Technology Ltd.

Windpower Otago Ltd
Windpower Otago Ltd is owned 20% (2007: 20%) by Windflow Technology Ltd. Windpower Otago Ltd is involved in the development and operation of wind farms. It has not traded for the 2008 year.

Wind Gears Ltd
Wind Gears Ltd is owned 50% (2007: nil %) by Windflow Technology Ltd. Wind Gears Ltd undertakes the development and construction of gear boxes for the Windflow turbines.

Windpower Maungatua Ltd
Windflow Technology Ltd sold its 16.66% shareholding during the year.

For the year ended 30th June 2008

Investment in Associates

	This Year Group ($,000)	This Year Parent ($,000)	Last Year Group ($,000)	Last Year Parent ($,000)
Results of associates:				
Share of operating deficits	(26)	-	-	-
	(26)	-	-	-
Interest in associates:				
Shares at cost	5	5	1	1
Share of deficits	(26)	-	(1)	-
Balance at end of year	-	5	-	1

Details of Associates ($,000)

2008 Carrying Amount	Assets	Liabilities	Revenue	Profit	% held
Windpower Otago Ltd	67	74	-	(1)	20%
Wind Gears Ltd	836	880	3	(53)	50%
Windpower Maungatua Ltd	-	-	-	-	-%

2007 Carrying Amount	Assets	Liabilities	Revenue	Profit	% held
Windpower Otago Ltd	67	73	-	(1)	20%
Windpower Maungatua Ltd	9	4	-	-	16.66%

There are no significant restrictions on the ability of any associate to pay dividends, repay loans or otherwise transfer funds to the investor company.

16 Financial Instruments

Credit Risk

To the extent that the Company has a receivable from another party, there is a credit risk in the event of non performance by that counter party. Financial instruments, which potentially subject the Company to credit risk, principally consist of bank balances, receivables, and term deposits.

The Company monitors the credit quality of its investments and manages its exposure to Credit Risk.

The Company has advanced minor amounts to its associated companies which are unsecured. (Refer Note 17). The Company is comfortable with this exposure.

Concentrations of Credit Risk

The Company does not have any significant concentrations of credit risk apart from the above advances and its deposits with a large and reputable bank.

Currency Risk

The Company has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. The company reviews its exposure and, when appropriate, takes out forward exchange contracts to minimise any foreign exchange risk.

Interest Rate Risk

The Company has exposure to interest rate risk to the extent that it invests for a fixed term at fixed rates.

Credit Facilities

The Company has no credit facilities, other than trade creditors.

Fair Values

The estimated fair values of financial instruments do not differ from the carrying values.

For the year ended 30th June 2008

17 Related Party Disclosures

Mr G Henderson; Director and Shareholder

The Company paid or accrued a royalty of $320,000 (exclusive of GST) (2007: $280,000) to Mr Henderson arising from the ordering of 32 turbines, pursuant to the Licence Agreement between the Company and Mr Henderson.

As at 30th June 2008 the company owed $180,000 to Mr Henderson (2007: $157,500).

Mr B Leay; Director and Shareholder

The Company paid fees of $1,528 to Mr Leay for services at normal market terms and conditions (2007: $nil). The company purchased a Toyota Prius motor vehicle ($17,778) from a company of which Mr Leay is also the Chairman.

Mr K McConnell, Director and Shareholder

The Company paid fees of $85,464 to Mr McConnell for management services at normal market terms and conditions (2007: $57,854).

As at 30th June 2008 the company owed $4,053 to Mr McConnell (2007: $14,382).

Mr H Kelly, Director and Shareholder

The Company paid fees of $8,951 to Mr Kelly for management services at normal market terms and conditions (2007: $1,000).

As at 30th June 2008 the company owed $3,049 to Mr Kelly (2007: $nil).

Associate Companies

Windpower Otago Ltd
Windflow Technology Ltd has advanced funds to that company to assist in initial set up costs and as at balance date these totalled $25,902 (2007: $25,902).

The advance is interest free and repayable upon demand.

No related party debts have been written off or forgiven.

Key Management Personnel Compensation

	This Year		Last Year	
	Group ($,000)	Parent ($,000)	Group ($,000)	Parent ($,000)
Short term employee benefits	623	623	340	340

Key management personnel are classified as any persons, including the Directors, having the authority and responsibility for planning, directing and controlling the activities of the Group.

18 Reconciliation of reported deficit with cash flows from operating activities

	This Year		Last Year	
	Group ($,000)	Parent ($,000)	Group ($,000)	Parent ($,000)
Net Deficit	(2,044)	(2,004)	(3,314)	(3,252)
Less Non Cash Items and non operating items:				
Amortisation of Licences & Patent	116	116	75	75
Depreciation	558	509	283	282
	674	625	358	357
Cash Flow from Operations before working capital changes	(1,370)	(1,379)	(2,956)	(2,895)
Movements in Working Capital:				
Increase (Decrease) in accounts payable excluding asset purchases	2,147	2,011	60	(52)
Increase (Decrease) in Progress payments held	6,598	6,598	6,214	6,214
Increase (Decrease) in Provisions	(117)	(117)	559	559
Decrease (Increase) in accounts receivable & interest accrued	(2,816)	(2,817)	(2,724)	(2,494)
Decrease (Increase) in Stock & WIP	(4,139)	(4,165)	(559)	(398)
Decrease (Increase) in Prepayments	(57)	(41)	1	1
Decrease (Increase) in Retentions	315	315	(315)	(315)
Decrease (Increase) in GST receivable	(470)	(464)	438	418
Decrease (Increase) in tax refund	(1)	-	(23)	(23)
Net Cash Flows from Operating Activities	90	(59)	695	1,015

For the year ended 30th June 2008

19 Operating Leases

The group's minimum operating lease commitments follow:

	This Year		Last Year	
	Group ($,000)	Parent ($,000)	Group ($,000)	Parent ($,000)
Within one year	364	137	35	10
One to five years	1,423	794	-	-
More than five years	208	208	-	-

20 Contingent Liabilities

As at the 30th June 2008 there were no contingent liabilities (2007: $nil)

21 Commitments

Capital Commitments as at balance date totalled $120,000. This is the cost of a new 15 ton overhead crane. (2007: $274,594).

22 Significant Events after Balance Date

There were no significant events after balance date.

23 Seasonality or cyclicality of interim operations

The operations are not subject to seasonal fluctuations but are subject to the effects of the timely completion of the batches of turbines ordered.

24 Adoption of New Zealand equivalents to International Financial Reporting Standards.

The Group has implemented NZ IFRS with effect from 1st July 2007. The transition to NZ IFRS is accounted for in accordance with NZ IFRS 1 "First-time adoption of the New Zealand equivalent to International Reporting Standards". This has necessitated very few changes of accounting policy and there has been no need to restate the comparative amounts in the financial statements.

Deferred tax is now calculated on temporary differences, rather than timing differences. Subject to certain conditions, it is required that a deferred tax asset arising from income tax losses be carried forward on the Balance Sheet. The Windflow Technology Group does not yet meet those conditions requiring it to carry the tax losses forward as a deferred tax asset.

Under NZ IFRS the annual leave accrual is based on pay rates at the time the outstanding leave entitlement is anticipated to be taken (instead of current pay rates) and recorded at the present value of these individual liabilities if any excessive balances are likely to be carried forward beyond the next 12 months. The effect of this change is considered minor.

The previous Statement of Financial Performance, Statement of Financial Position, Statements of Movements in Equity and Statement of Cash Flows are now referred to as the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement.

25 New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30th June 2008, and have not been applied in preparing these consolidated financial statements.

Standard	Revised/Amended Standards	Date Approved	Effective for accounting periods beginning or after
NZ IFRS 8	Operating Segments Requires identification of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. This standard may result in revised disclosure, but will not affect recognition or measurement of any balances within the financial statements.	December 2006	1st January 2009
NZ IAS 1	Presentation of Financial Statements (revised) This revised standard requires a number of changes to the presentation and disclosures in financial statements. This standard will result in revised disclosure, but will not affect recognition or measurement of any balances within the financial statements.	November 2007	1st January 2009
IAS 23	Borrowing Costs An entity is required to capitalise borrowing costs as part of the cost of "qualifying" assets. This does not have an impact on the Group as the Group does not borrow to construct qualifying assets.	July 2007	1st January 2009
IAS 31	Interests in Joint Ventures Minor amendment to disclosures. Applies prospectively. This standard may result in revised disclosure, but does not affect recognition or measurement of any balances within the financial statements.	May 2008	1st January 2009
NZ IFRS 3	Business Combinations (revised) Includes a number of amendments including the requirement that all costs relating to a business combination must be expensed and subsequent re-measurement of the business combination, if there is a loss of control of subsidiary, must be put through the income statement	January 2008	1st July 2009

CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors is elected by the shareholders and is responsible for the corporate governance of the Company. The Board is the final body responsible for the decision making within the Company and has the requirement to work to enhance the value of the Company in the interests of the Company and its shareholders.

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

The Board establishes the objectives of the Company and is engaged in ongoing strategic planning in order to meet these 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 Company operates.

The Board monitors financial results and compares them to the budgets and annual plans at the regular monthly meetings.

The following headings reflect the corporate governance principles recommended by the New Zealand Securities Commission in February 2004.

Reference has also been made to the Corporate Governance Best Practice Code (the NZX code).

BOARD COMPOSITION AND MEMBERSHIP

As at the 30th June 2008 the Board comprised five Directors. This included a non-executive Chairman, and executive Director (the Chief Executive Officer) and three non-executive Directors.

The Board has a broad base of energy, engineering, financial, legal and other skills, experience and expertise to meets its objectives.

The details and background of the Directors are detailed elsewhere within this Annual Report.

The Chairman is elected by the Board of Directors and it is his role to manage the Board in the most effective manner and to provide a conduit between the Board and the Chief Executive Officer. He has no significant external commitments that conflict with this role.

Procedures for the operation of the Board, including the appointment and removal of Directors, are governed by the Company's Constitution.

The Board held twelve meetings during the financial period ended 30th June 2008. In addition to these formal meetings the Board meets on other occasions to debate strategic and financial deliberations.

Chief Executive Officer Performance Review

The Board is responsible for the evaluation of the Chief Executive officer against key performance objectives and is responsible for the setting of these objectives on a periodic basis and ensuring that they are an appropriate measure.

Directors' Shareholdings as at the 30th June 2008

There is a Share Option Plan with Mr G Henderson, the Chief Executive Officer, which relates to any royalties payable under the TLG licence. This is detailed within Note 10 of the Notes to the Financial Statements (page 26).

Directors' disclosure of their shareholdings pursuant to Section 148 of the Companies Act 1993 and the NZAX listing rules are shown as at 30th June 2008 in the list below.

Shares Held

Director	Beneficially	Interest of Associated Persons	Non-Beneficially
Barrie Leay	7,813		
Geoff Henderson	496,681	387,004	
Heugh Kelly	30,625		
Keith McConnell	9,958		
Caroline Parlane	6,250		

Independence of Directors

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

It has been determined by the Board that of the five Directors all Directors were independent apart from Mr Geoff Henderson and Mr Keith McConnell. Mr Henderson is the Chief Executive Officer and Mr McConnell has carried out various strategic consultancy exercises on behalf of the Company on a fee paying basis.

All Directors are required to immediately advise if any new relationships would interfere with such independence and so enable the Board to consider and determine the materiality of the relationship.

Board Committees

There is an audit committee consisting of Keith McConnell (Chairman), and Caroline Parlane. Geoff Henderson also attends the meetings but in his capacity as Chief Executive Officer. This audit committee meets monthly on the same day as board meetings in order to review the financial reports with the CEO and the company's accountants. In addition to these scheduled meetings the audit committee also meets on other occasions – for example around the time of the production of the company's Annual and Half-Yearly Financial Statements.

There is a procurement committee consisting of Heugh Kelly (Chairman), and Geoff Henderson. The procurement committee meets monthly with the Production Manager prior to the meetings of the audit committee and the Board. The purpose of the committee is to review procurement contracts with suppliers especially as many of these are for substantial sums of money.

At this stage no other Board Committees have been established to assist in the execution of the Board's responsibilities. All such matters are conducted at the regular full Board meetings.

ETHICAL STANDARDS

Code of Ethics

The Company expects all its employees and Directors to maintain the highest ethical standards.

The Directors support the principles set out in the "Codes of Proper Practice for Directors" issued by the Institute of Directors in New Zealand. Whilst recognizing 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.

Interests Register

In accordance with the Companies Act 1993 the Company maintains an Interest Register in which the particulars of certain transactions and matters involving Directors are recorded. The following table summarises the Directors' interests in entities with which the Company has, or may in future have, transactions:

Director	Directorship or shareholding (at 30th June 2008)
Barrie Leay	Aquaflow Bionomic Corporation Ltd NZ Windfarms Ltd
Geoff Henderson	Aeolian Property Company Ltd Henderson Inventions (Partnership) Pacific Windfarms Ltd Wind Blades Ltd Windflow Hawaii Ltd Windpower Otago Ltd
Heugh Kelly	Wind Gears Ltd
Keith McConnell	Wind Blades Ltd NZ Windfarms Ltd Wind Gears Ltd
Caroline Parlane	Aquaflow Bionomic Corporation Ltd

Conflicts of Interest

If conflicts of interest do exist then the policy of the Board is that Directors must declare their interest and do not exercise their right to vote in respect of such matters.

Insider Trading

Directors and employees of the Company are subject to the limitations on their ability to buy or sell Windflow Technology Ltd shares under the NZAX Listing Rules and the Securities Markets Act 1988. No one at Windflow Technology is permitted to, directly or through other persons or entities, buy or sell Windflow Technology shares or advise someone else to buy or sell Windflow Technology shares on the basis of inside information about the Company, its joint venture partners and subsidiaries.

AUDIT GOVERNANCE AND INDEPENDENCE

The Shareholders approved the appointment of Goldsmith Fox PKF Audit as Auditors for the year ended 30th June 2008. Shareholders approved the Board setting the remuneration of the Auditors at the Annual General Meeting in October 2007.

The work of the external Auditors is limited to financial audit and related work only and the Company is committed to auditor independence. The Board annually reviews the independence and objectivity of the external Auditors. No employees, Partners or Directors of the Audit firm hold shares in the Company.

Representatives of the Company's external Auditors, Goldsmith Fox PKF Audit have been invited to the Annual General Meeting.

DIRECTORS' REMUNERATION

The current annual Directors' fees paid to all Directors within the parent company total $172,000 per annum, each Director receiving $27,500 each, the Chairman of the Board of Directors receiving $55,000, the Chairman of the audit committee receiving an additional $5,000 and any director who is a member of the audit committee receiving an additional $2,000.

The annual remuneration of the Chief Executive Officer as at the 30th June 2008 was $135,000.

Project management fees totalling $85,464 were paid to one Director, Mr K McConnell and fees for services to the Chairman Mr B Leay of $1,528 and also to a second Director, Mr H Kelly of $5,901. Refer to Note 17 on page 34.

The following table summarises the remuneration for the period to 30th June 2008 of the Directors of Windflow Technology Ltd:

Name	Directors' Fees	Remuneration	Other Fees
Barrie Leay	$45,667		$1,528
Geoff Henderson	$24,333	$135,000	
Heugh Kelly	$24,333		$8,951
Keith McConnell	$27,667		$85,464
Caroline Parlane	$25,667		

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

REPORTING AND DISCLOSURE

Annual and Interim Reports in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the NZAX Listing Rules are communicated on a periodic basis to all shareholders.

A web site is maintained and contains regular updates to shareholders as well as the Annual and Interim Reports.

The Chief Executive Officer and other Senior Officers have conducted regular information meetings and discussions with shareholders and interested persons.

RISK MANAGEMENT

The Company has a policy of identifying, assessing and managing risks arising from its business direction and also from the strategic environment.

It implements risk management through its business processes of planning, budgeting, investment and project analysis, and operations management.

SHAREHOLDER RELATIONS

The Board's policy is to ensure that shareholders are informed of all material and strategic developments affecting the Company's state of affairs.

All material disclosures are posted to the Company's web site on a timely basis. Regular media releases are made and copied to shareholders by email.

COMPANY SECRETARY

Terry Moon is the Company Secretary and co-ordinates all the reporting and compliance requirements of the company throughout the financial year.

OTHER STATUTORY INFORMATION

EMPLOYEE REMUNERATION

For the period to 30th June 2008, there were 4 employees who earned more than $100,000.

Remuneration Range NZ$	Number of Employees
130,001 – 140,000	1
120,001 – 130,000	
110,001 – 120,000	2
100,000 – 110,000	1

DIRECTORS INDEMNITY AND INSURANCE

The Company has Directors' & Officers Liability Insurance to the sum of $2,000,000 in the aggregate.

SUBSIDIARIES AND DIRECTORS THEREOF

Windflow Technology Ltd has three subsidiary companies. They are Wind Blades Ltd, Pacific Windfarms Ltd and Windflow Hawaii Ltd.
The Directors of Wind Blades Ltd are Peter Brooking, Keith McConnell and Geoff Henderson. The sole Director of Pacific Windfarms Ltd (which is non-trading) is Geoff Henderson.

DONATIONS

The Windflow Technology Ltd Directors have decided that no donations to charity will be made until the Company has paid a dividend to its shareholders. Therefore no donations have been made in the financial year being reported on.

SHAREHOLDER INFORMATION

The ordinary shares of Windflow Technology Ltd are listed on the New Zealand Stock Exchange's Alternative Market (NZAX). The information in the disclosures below has been taken from the Company's register at 30th June 2008.

TWENTY LARGEST ORDINARY SHAREHOLDERS

Shareholder	Address	Shares	%
Geoff Henderson	Christchurch	496,681	5.81
Delane Wycoff	Nebraska, USA	452,805	5.30
Jenny Henderson	Christchurch	332,237	3.89
Thawedfull Investments Ltd	Franz Josef	247,440	2.90
Reda Holdings Ltd	Cayman Islands	181,222	2.12
Custodial Services Limited (3) Account	Tauranga	179,531	2.10
Simon Stockdale	Nelson	141,032	1.65
Paul Simmons	Christchurch	118,149	1.38
David Isles	Wellington	115,238	1.35
New Zealand Central Securities	Wellington	111,900	1.31
Margaret Simmons	Christchurch	108,149	1.27
Caroline Stockdale	Nelson	96,869	1.13
Victor Holmes & Christine Holmes	South Auckland	90,694	1.06
Sheila Kolstad	Christchurch	75,000	0.88
Fitzallan Holdings Ltd	Christchurch	73,500	0.86
Geoffrey Robinson & Reihana Robinson	Coromandel	60,000	0.70
Andrew Rochford &Sabina Rochford	Warkworth	53,343	0.62
FNZ Custodians Ltd	Wellington	50,778	0.59
Investment Custodial Services Ltd	Takapuna	50,000	0.59
Custodial Services Limited (1) Account	Tauranga	48,185	0.56
	TOTALS	**3,082,753**	**36.09%**

DISTRIBUTION OF SHAREHOLDERS

Holdings Ranges	Number of Holders	Number of Shares	%
1 - 1,000	133	82,557	0.97
1,001 - 5,000	399	1,082,834	12.68
5,001 - 10,000	212	1.507.318	17.65
10,001 - 50,000	148	2,884,146	33.76
50,001 - 100,000	7	500,184	5.86
100,001 - 1,000,000	11	2,484,384	29.08
1,000,001 - and over	0	0	0
Totals	**837**	**8,541,423**	**100.00**

SUBSTANTIAL SECURITY HOLDERS

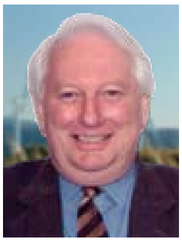
The following information is given in accordance with Section 26 of the Securities Markets Act 1988. According to notices received, the following persons were substantial security holders in the company at 30th June 2008.

Shareholder	Number of shares directly held	%
Henderson Family Interests – made up of	883,685	10.35
• Geoff Henderson	496,681	
• Jenny Henderson	332,237	
• Est. F. M. Henderson & J. M. Henderson	38,114	
• Catherine Henderson	11,746	
• Jean Henderson	3,969	
• Jon Henderson	938	
Delane Wycoff	52,805	5.30
Totals	**1,133,053**	**15.65**

The total number of issued voting securities as at 30th June 2008 was 8,541,423.

DIRECTORY

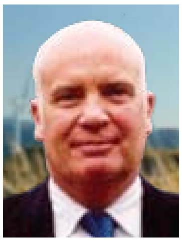
The Directors of Windflow Technology Ltd are:



Barrie Leay, Chairman of Directors

45 Ledbury Rd, Nelson

Barrie Leay was until mid-1997 Executive Director of the Electricity Supply Association of New Zealand. Subsequently he was elected as the founder Chairman of APEC Energy Business Network in the Asia Pacific region, where he has been a leading figure in the reforms of the electricity industries and the establishment of competitive electricity markets in New Zealand and other APEC economies. Barrie is currently Chairman of Aquaflow Bionomic Corporation Ltd, Bio Refineries Ltd, ThePacific.net Ltd, Ecodyne Limited, ASCE Corporation Ltd, Suntech Power Ltd and is a director of NZ Windfarms Ltd (NZWL) and several other companies. Barrie is retiring from his role with NZ Windfarms Ltd at their forthcoming Annual Meeting.



Keith McConnell, Director

Unit 1,12 Balfour Rd, Auckland

Keith has served as Chief Executive Officer of a number of commercial entities over the last 15 years. These include John Edmond Ltd, Donaghy Downs Pty Ltd, The Power Company Ltd, United Electricity Ltd, Paykel Ltd and most recently Fruehauf Pacific Ltd. His involvement with wind energy first arose during his tenure with The Power Company Ltd where he sponsored a wind testing programme at three sites in Southland. Keith has also been involved in several successful startup ventures (eg Metering Systems Ltd and Supply Solutions) and has a good understanding of the issues involved in such ventures.

Keith is presently acting in a part time executive role within Windflow by assisting with many of the commercial matters. He is also a Director of NZ Windfarms Ltd (NZWL) but is retiring from this role at their forthcoming Annual Meeting.

Geoff Henderson, Director and Chief Executive Officer

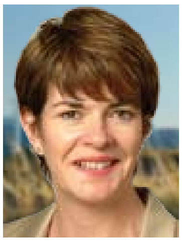
50 Waiwetu Street, Christchurch

A registered mechanical engineer, Geoff Henderson has been involved in wind power engineering for twenty years, including seven years in California and England working at the forefront of wind power technology. During that time he invented the torque limiting gearbox (TLG) system which has been patented in New Zealand, Australia, and the USA. In 1994 he received the Communications Award from the Institution of Professional Engineers (IPENZ) for his contribution to the engineering profession as a proponent of wind power. Geoff is past-chairman of the Canterbury Branch of IPENZ and in 2005 was elected a Fellow of IPENZ. He is also a director of the Aeolian Property Company Ltd and three companies in which the Company has shares, Wind Blades Ltd, Windpower Otago Ltd, Windflow Hawaii Ltd (non-trading) and Pacific Windfarms Ltd (non-trading).

Heugh Kelly, Director

Shegadeens Road, R.D. 1, Wellsford

Heugh Kelly is a barrister and solicitor with over 20 years experience of commercial law. Educated at Auckland Grammar School and the University of Auckland, he has been in practice on his own account since 1984. He is a director of the Environmental Defence Society which is a position he has held since 1981 and was a member of the legal committee of the Maruia Society for some years.



Caroline Parlane, Director

17A Putnam St, Wellington

Caroline Parlane was previously Senior Advisor International Relations Energy for the Ministry of Economic Development, being the Government's representative on crucial international bodies such as the International Energy Agency (IEA), and the Energy Working Group of APEC, and is knowledgeable of many aspects of the global energy industry.

Management Team	Chief Executive Officer	Geoff Henderson
	Chief Operating Officer....................	Tom Hooper
	Engineering Manager	John Arimond
	Production Manager	Jules Ganley
	Windfarm Development Manager	Warwick Payne
	Windfarm Operations Manager	Peter Chadwick
	Quality Manager	Tim Armitage
	Accountant	Martin Richardson
	Marketing Manager	Sheralee MacDonald
	Company Secretary	Terry Moon

Solicitor

Guy Mortlock
Mortlocks
137 Armagh St
Christchurch

Windflow Technology management team.
Front Row: Sheralee MacDonald, Geoff Henderson, Tim Armitage.
Back Row: Peter Chadwick, Terry Moon, Jules Ganley, Martin Richardson, Warwick Payne.
Absent: John Arimond, Tom Hooper.

Registered Office

HFK Ltd
567 Wairakei Road
Christchurch

Auditors

Goldsmith Fox PKF Audit
250 Oxford Terrace
Christchurch

Share Registry

Link Market Services Ltd
138 Tancred Sth
Ashburton

Bankers

Bank of New Zealand
81 Riccarton Rd
Christchurch

Insurance Brokers

Marsh Ltd
Level 4, 233 Cambridge Terrace
Christchurch

Principal Suppliers	Blades	Wind Blades Ltd of Auckland (100% owned)
	Gearbox	AH Gears Ltd of Auckland, Wind Gears Ltd of Auckland (50% owned)
	Electrical Control...........................	Bremca Ltd of Christchurch
	Hub	Farra Engineering Ltd of Dunedin
	Generator	Cummins Generator Technologies of UK
	Hydraulics	Rexroth NZ Ltd of Christchurch
	Nacelle Cladding	Cresta Composites of Christchurch
	Pallet	Allied Industrial Engineering of Kawerau
	Tower...	ACME Engineering of Petone
	Tower...	Eastbridge of Napier

WINDFLOW

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