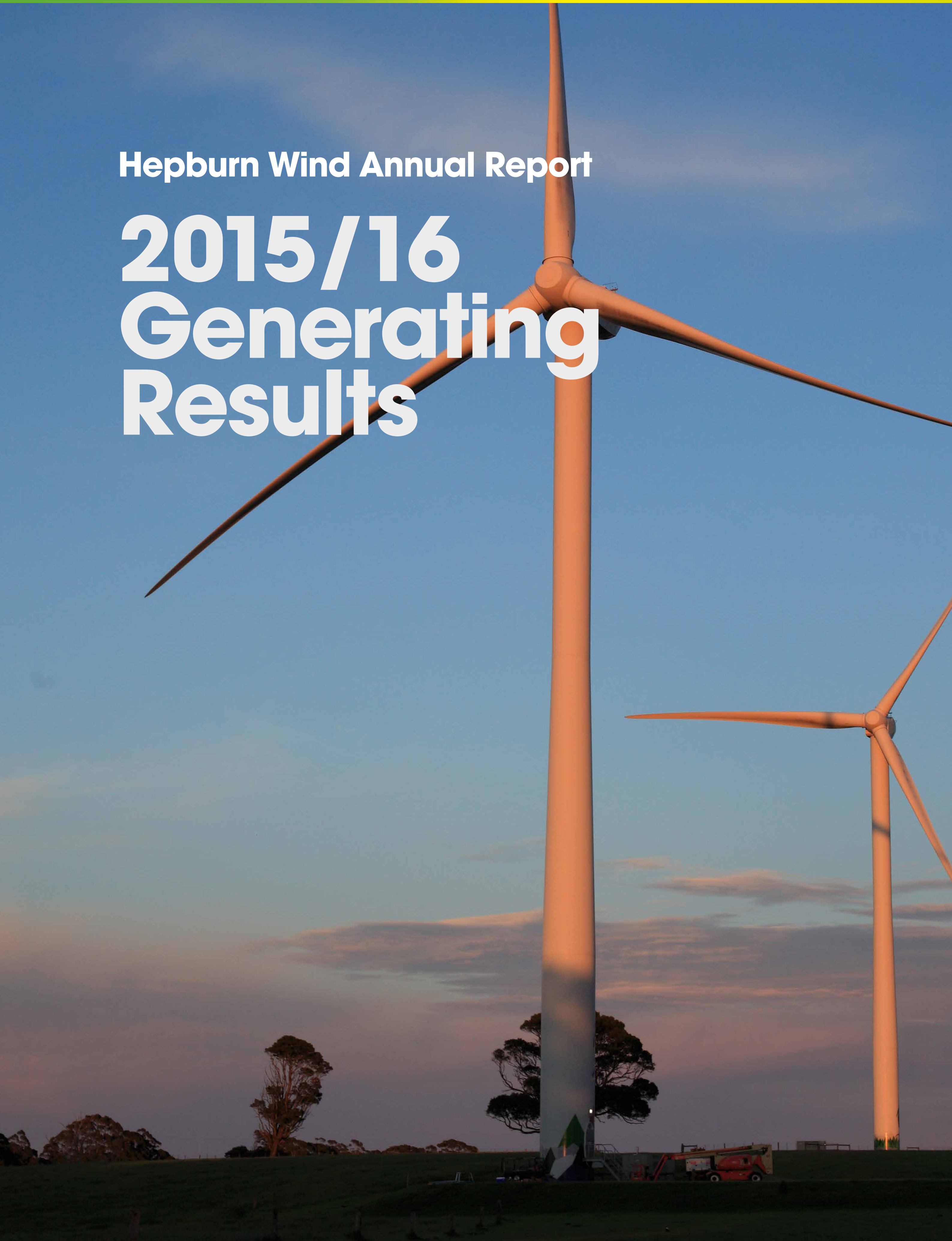
## Hepburn Wind Annual Report

# 2015/16 Generating Results



# Generating results

Hepburn Wind is the owner and operator of Australia's first community-owned wind farm, at Leonards Hill, about 100km north-west of Melbourne, just south of Daylesford Victoria. The 4.1 MW wind farm hosts two turbines called Gale and Gusto, who produce enough clean energy for over 2000 homes.

Hepburn Wind is the trading name of Hepburn Community Wind Park Co-operative Ltd, a co-operative registered in Victoria, Australia. Hepburn Wind was established in 2007 by the Hepburn Renewable Energy Association, now known as SHARE. Despite many challenges, overwhelming support from the community has made it happen – inspiring similar projects to explore the community enterprise model for renewable energy projects.

**Our Mission: Hepburn Wind owns and operates Australia's first community-owned wind farm. We create environmental, economic and social benefits for our members, neighbours and our local community. Together with our local community, we are leading the transition to a clean energy future, and work to showcase to other communities a successful community energy model.**



# Contents

# A message from the board

On behalf of the board of directors we are pleased to present Hepburn Wind's annual report for the 2014/15 financial year.

As we announced at our last Annual General Meeting, our focus on containing costs and paying down debt continued into its third year. It's worth noting that in five years of generation, we have reduced our original debt of $3.1 million by 78%, down to $686,235, far ahead of the forecasted timeline in our original share offer.

We were most relieved to see the continued stabilisation of the energy market as the year progressed. We closed the year with an average combined price of $117.24 per megawatt, a significant rise from last financial year of $67.50 and back in line with the original forecasts. Improving market conditions created a very strong price for our Renewable Energy Certificates (RECs), and we experienced some of our highest generation months. However, at the same time we were also challenged by operational issues, resulting in a reduced generation capacity over a four-month period.

At the completion of this financial year, we can again say that our operating environment is back on track. Importantly, with a year of financial stability under our belt, the team at the wind farm is now able to make some forecasts for the mid-term future with a focus on providing a return to members in the form of a return of capital at the end of the current financial year.

At the time of writing we have successfully finalised a five-year partnership agreement with electricity retailer Powershop. This is a multi-level partnership which not only encompasses our energy and LGC generation over the next five years, but also includes operations management for our two turbines, Gale and Gusto, by Meridian Energy Australia (Powershop's parent company). We wish to thank our former retail partner of the past five years, Red Energy, for their support. Going forward we will encourage all of our supporters to make the switch with us to Powershop.

## Performance highlights

# The year in numbers

**'All-in' price of $117.24, up almost 70%**

**Reduction of bank debt by $613,654, down to only $686,235**

**Total expenses further reduced by $80,000, down 8%**

**Release of the $500,000 bank guarantee from Embark**

| | FY2016 | FY2015 | Variance | Variance % |
|---|---|---|---|---|
| **Revenue and income** | | | | |
| Electricity Sales | $437,210 | $316,362 | $120,848 | 38% |
| Renewable energy certificate sales | $743,674 | $429,612 | $314,062 | 73% |
| Combined generation revenue | $1,180,884 | $745,974 | $434,910 | 58% |
| Co-marketed product revenue | $18,375 | $22,942 | -$4,567 | -20% |
| **Market value** | | | | |
| Electricity generated (per MWh) | $42.73 | $28.63 | $14.10 | 49% |
| Certificates created | $74.54 | $41.64 | $32.90 | 79% |
| All-in value | $117.27 | $67.50 | $49.77 | 74% |
| **Outgoings** | | | | |
| Operating expenses | $329,604 | $387,656 | -$58,052 | -15% |
| Community fund, sponsorships and local benefits (1) | $16,755 | $20,859 | -$4,104 | -20% |
| Finance expenses | $55,656 | $77,893 | -$22,237 | -29% |
| Total outgoings | $402,015 | $486,408 | -$84,393 | -17% |
| **Financial performance** | | | | |
| Group EBITDA | $793,923 | $369,490 | $424,433 | 115% |
| EBITDA per share | $0.080 | $0.0371 | $0.043 | 115% |
| Loan outstanding | $686,235 | $1,299,889 | -$613,654 | -47% |
| Group earnings before depreciation (2) | $672,694 | $291,597 | $381,097 | 131% |
| Depreciation | $458,733 | $458,165 | $568 | 0% |
| Net Profit | $213,961 | -$166,568 | $380,529 | -228% |
| **Operations** | | | | |
| Wind farm availability (3) | 95.0% | 95.7% | -0.7% | -1% |
| Wind farm unscheduled outage (hours) | 397 | 342 | 55 | 16% |
| Wind speed average both turbines (m/s) | 7.0 | 7.0 | 0.0 | 0% |
| Wind farm generation (MWh) | 9,873 | 11,051 | -1,178 | -11% |
| Capacity factor | 27.5% | 30.8% | -3.3% | -11% |

**Footnotes**

1. Community fund in the statutory accounts includes additional $32,516 for provisions for grants. Includes contribution from Red Energy and wind farm tours.
2. Group earnings represent earnings before depreciation, amortisation and after accounting for finance expenses. Net profit shows the position after accounting for these items. Refer to the audited financial statements contained at the back of this report for further details.
3. Proportion of the year that the grid was available and the turbines were capable of generation. Periods were one turbine was out of service or wind farm operated at a reduced capacity are weighted accordingly. Does not account for the period when the STATCOM was offline.

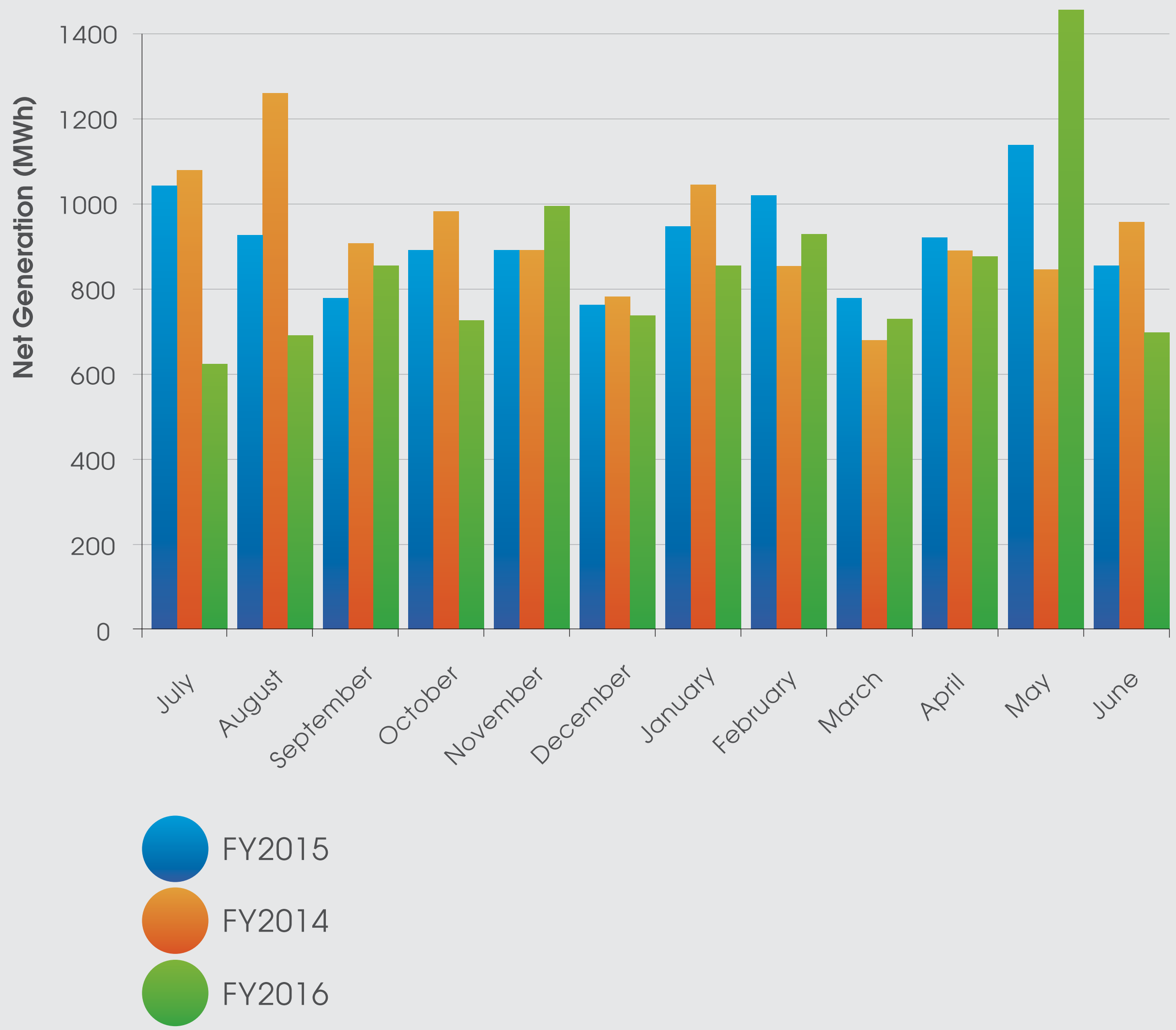
# Our Performance: Operations

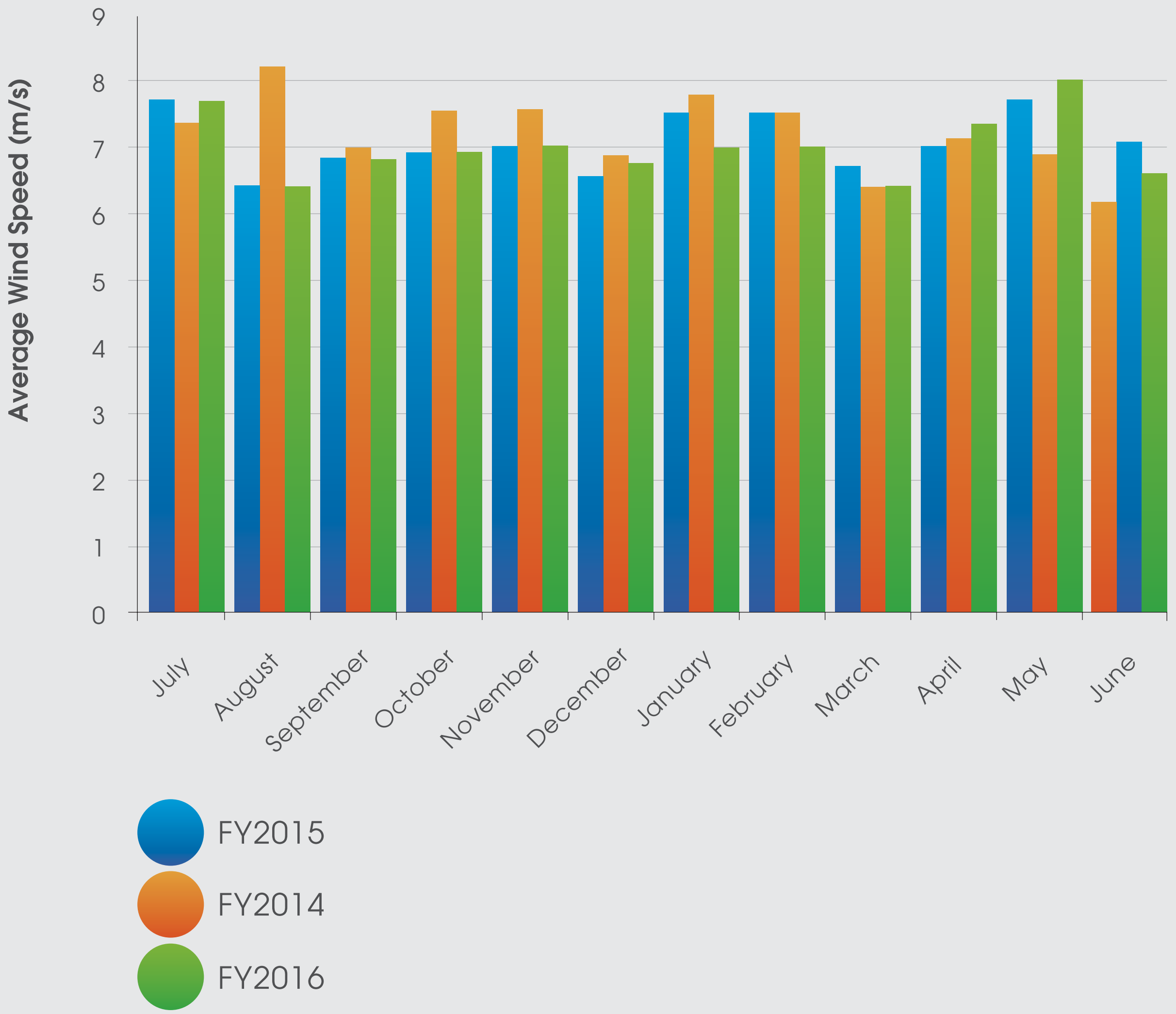
During FY2016, our net energy exports were 9,873 MWh, compared with 11,051 MWh in FY2015, while our average wind speed was 7.0 m/s, identical to the previous year. The reason for reduced generation was primarily due to an outage in the STATCOM between July and November. This device helps maintain power quality in the local electricity network by adjusting the output of the wind farm when required. Without it we would be required to limit power exported to the grid to 2.6 megawatts. The exact loss in production is difficult to quantify, as the device usually constrains generation at relatively high wind speeds and its effects are negligible at other times. We are still awaiting the results of a root cause analysis from the STATCOM manufacturer, ABB, and continue to monitor performance closely.

Another issue we have been working on is reducing unscheduled outages. Network outages commonly result from disturbances to the local distribution network (such as tree branches hitting power lines) and vary with weather and the seasons. They can be a major cause of unscheduled outages. In June we upgraded the wind farm control systems to automatically reconnect to the grid when safe to do so. While this doesn't reduce the frequency of outages, it dramatically improves the time it takes to reconnect down to around one minute, instead of tens of minutes at best (and sometimes several hours). It also reduces labour costs, as manual intervention is no longer required for most outages.

The health and safety of our staff, contractors, volunteers and visitors remains our highest priority. We are always striving to improve our policies and procedures, ensuring they accord with industry best practice and are appropriate to the size of our organisation.

We aim to achieve zero unresolved complaints related to the wind farm and we are pleased to report that during the year no complaints were received.



# Expense and debt management

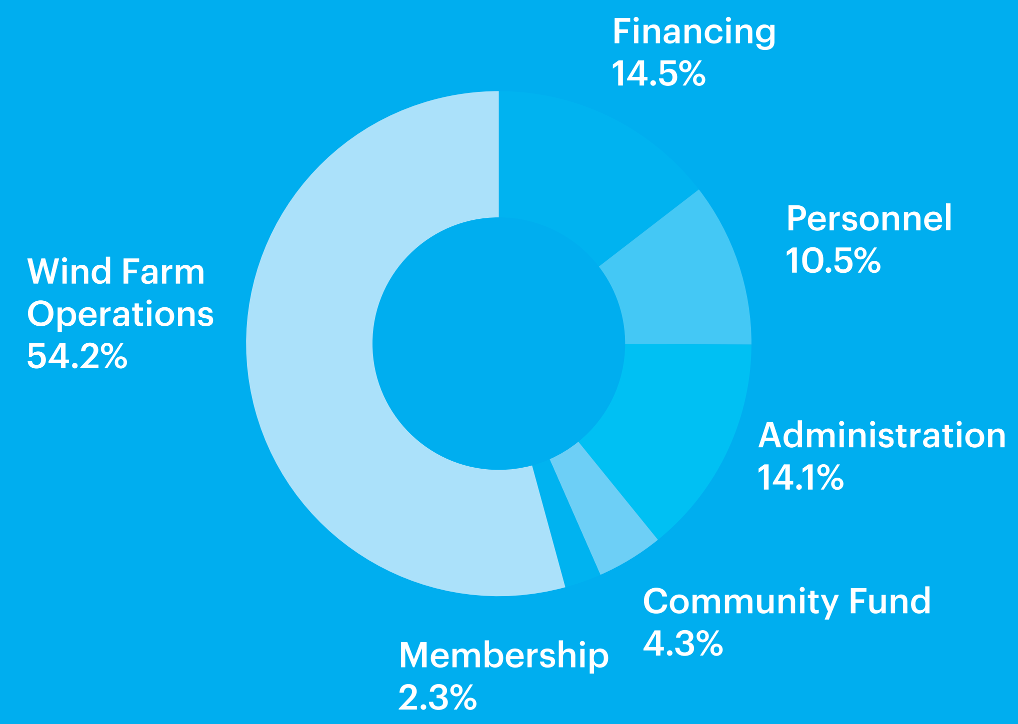
With significant stabilisation of the Renewable Energy Certificate (REC) price we received an 'all-in' price of $117.24 per megawatt for our combined spot market electricity and REC price during 2015-16. This is up almost 70% on last year's prices and resulted in a whopping 53% more income for the financial year.

Our focus on paying down debt continued this year, with the outstanding debt almost halved from $1,299,899 down to just $686,235. We managed this within five years of operation, far ahead of the original projections of a 15-year schedule.

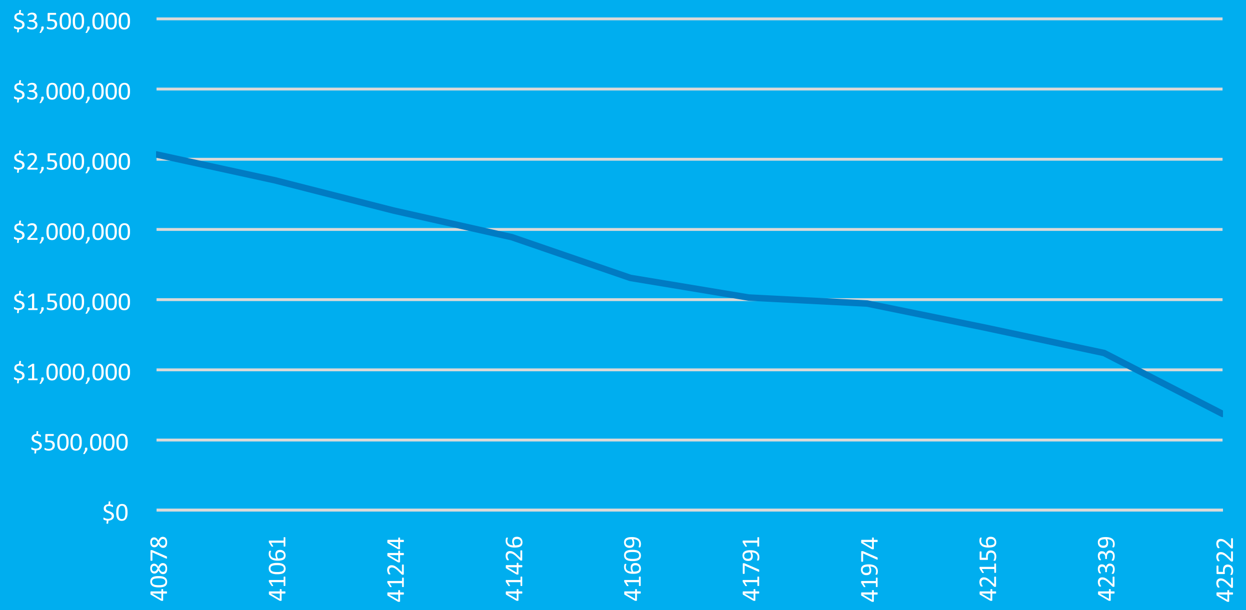
In June this year we were able to return the remaining $500,000 bank guarantee to Embark, from a total of $1,000,000 that was provided to leverage our Bendigo Bank loan in 2010. We extend our gratitude to Embark for providing these funds so that our project could secure debt. Returning the guarantee was possible due to the reduction in our loan and means that our co-operative is now in a low-risk phase.

Operations continued to be streamlined with a reduction of around $80,000 on last year's outgoings. As of May this year we have grown our team to include a part-time "Virtual Chief Financial Officer" Colin Wirth, who assists us for a small amount of time per month to manage the monthly accounts and LGC sales. Colin has recently made the move to the Macedon Ranges and continues to run his "cloud-based" business from that location.

## Expense management




## Loan Balance



# Community Green

On our fifth anniversary of generating clean energy we were proud to launch our webshop for "Community Green", our carbon-offset product. Community Green allows us to use the value of our hard-won brand and community energy credentials to create extra value for our members and attract new customers.

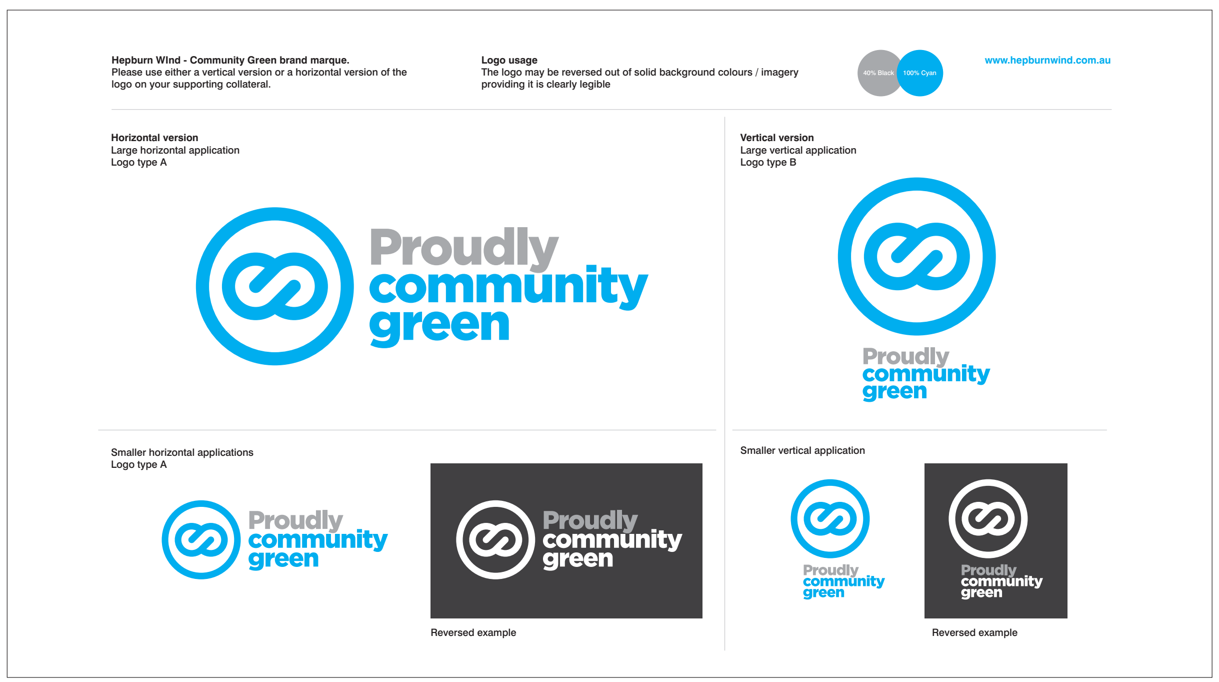
Community Green enables individuals, businesses or community groups to offset the carbon footprint of their residence or business, as well as activities such as travel, events, products, services and gifts.

By purchasing Hepburn Wind's RECs through the online shop, customers can take responsibility for their carbon footprint.

Offsetting their footprint means that we surrender RECs on the customer's behalf, allowing them to make a personal contribution to greening the grid. The more RECs that are extinguished through individualised and community-based action, the more new renewable energy projects must be built to meet the Renewable Energy Target.

Our first Community Green customer was our local Hepburn Shire Council, which offset 94 tonnes of carbon as part of its strategy to reach zero-net emissions for Council activities.

We would like to acknowledge Hepburn Wind member Andrew and his company Latitude Group for the fantastic work they have done to design and deliver Community Green with us.




Above: Community Green brand snapshot.



# B Corp

In March we joined the global community of certified Benefit Corporations. Importantly we ranked in the top 10% of B Corps globally and are the only co-operative certified in Australia.

Certified B Corporations are leaders of a global movement of people using business as a force for good. They meet the highest standards of overall social and environmental performance, transparency and accountability and aspire to use the power of business to solve social and environmental problems. There are more than 1,700 Certified B Corporations in over 130 industries and 50 countries with one unifying goal – to redefine success in business.

Whilst we already operate under the seven principles of co-operatives, we also wanted to embed in our organisation the strong social and environmental values of the B Corp movement. Further, we hope to utilise the opportunities that this network brings to market our Community Green product.

Our B Impact Report showed an impressive final score of 144.2 points, and we scored well above average in the five key criteria of: environment, workers, customers, governance and community.

The feedback from B Lab, the US group that oversees the B Corp accreditation process, has been incredibly validating for our co-operative – confirming the progressive way that we farm wind and benefit our community.

# Our stakeholders

## Engaging with our membership

On Saturday 7 November 2015 we held our AGM at the Daylesford Town Hall with over 100 members present. Members were inspired to hear the keynote address by the Hon. Lily D'Ambrosio which revealed State Government actions to support community energy. On the day, we were privileged to have the launch of the Guide for Community-Owned Renewable Energy for Victorians by the Minister, who brought copies along for our members to take home.

With board member Kathy Richardson hosting and board chair David Perry chairing the meeting, the board presented the 2014/15 annual report and answered questions from members.

Director Mitch Watson renominated, casual director Kathy Richardson and independent director Bronwyn Baird also nominated. Graham White took the directorship made vacant in May by Simon Holmes à Court. Director John Edgoose retired at the end of his term at the AGM.

We were able to thank John for his long history of supporting the project, from his time at Sustainability Victoria working closely with our co-operative to oversee our grant, through to being involved as a director. We wish him all the best with his next stage of life in Alice Springs. For the vacancy created by John's departure, the board was pleased to receive a nomination by local member Ross Ulman and we were able to welcome him to the team with his granddaughters proudly standing with him at our AGM. Simon was also recognised for his significant eight-year contribution to the cooperative. He was presented with the 'key to the wind farm' made by local artist Andy Kimpton.

## Engaging with our community

Late last year we participated from afar in the UN COP21 climate talks in Paris. Al Gore's Climate Reality Project in New York made a short film about our wind farm and profiled it in the lead-up to the Paris talks on French TV networks and globally via the web. Our good friend Ghostpatrol, who has painted murals on both Gale and Gusto, was featured in the Brandalism project, which saw his artwork of our wind farm being installed on a bus stop advertising panel on the prominent Avenue des Champs-Élysées.

Our social media presence continued to rise with 1756 followers on Facebook, 2952 on Twitter and the establishment of our Instagram account @hepburn_wind

Hepburn Wind was profiled as a finalist for the Parks Victoria Environmental Sustainability Award, one of the categories in the 2016 Victorian Regional Achievement and Community Awards.

We have continued to make sure that our wind farm is accessible and take tours during the warmer months of the year. The tours are also income generating for the co-operative. This year we hosted around 450 participants out at the wind farm.

**5635 supporters**

**2952 followers**

**1756 likes**


# Political engagement

The Victorian State Government has a strong focus on community energy and in June this year committed to a Victorian Renewable Energy Targets of 25 percent by 2020 and 40 percent by 2025. Hepburn Wind welcomes this proactive action and the renewed sense of optimism surrounding the shift to clean energy in our home state.

We made submissions into the Renewable Energy Roadmap consultation process and the Infrastructure Victoria 30-year infrastructure strategy during the past financial year. We also were the focus of a short film by Sustainability Victoria for their Victorian Communities Climate Change Series. This can be viewed at https://www.youtube.com/watch?v=8s0EsmnURfs



# Community Fund

Our benefit sharing model, which is delivered through our Community Fund, continued its focus on local neighbourhood benefits, local neighbourhood infrastructure support, event sponsorship, community grants and the energy fund.

Through our Neighbourhood Benefits scheme, we continued to make electricity bill contributions to residents living close to the wind farm, while our Local Infrastructure Support program allows us to make an annual contribution to the Leonards Hill CFA and the Leonards Hill Hall.

In December we sponsored a field trip to the wind farm for attendees to the regional Local Lives, Global Matters Conference. The three-day conference in Castlemaine explored four broad themes: local economies and livelihoods; equitable, re-democratised societies; social and ecological justice; and spirituality.

The Community Fund sponsored the printing of the Hepburn Shire U3A 15th anniversary book for the region. Hepburn Wind was featured amongst more than 500 locals and organisations, with personal snapshots uncovering the artistic and environmental talent of our local area.

We did not hold a community grants round this financial year. The next round for community grants will be open in November 2016.

Our Energy Fund made one commitment over the past financial year, a $15,000 contribution designated to assist with a project aimed at refurbishing the antique micro-hydro station at Lake Daylesford. The station operated early last century, powering lights and buildings around the iconic lake. It was managed by Hepburn Springs Electric Supply Co. back when local companies managed the local community energy supply networks! It has been out of commission since 1941.

We intend to raise further funds for the refurbishment of the existing antique shell of the generator and to install a new turbine to produce clean electricity for the local community once again. The project aims to generate between 12 - 30kW, dependent on water and grid constraints. A small amount of the $15,000 committed funds were spent on a pre-feasibility study for the refurbishment project.



## Significant items subsequent to preparation of the Statutory Accounts

In September 2016, Powercor Australia made contact around rebates owed from 2011 - 2016 for avoided transmission use of system (avoided TUOS) costs to embedded generators registered with AEMO in accordance with clause 5.5(h) of the National Electricity Rules. Hepburn Wind was eligible retrospectively for $115,552.06 of avoided TUOS payments.

On 8 September, Hepburn Wind / Leonards Hill Wind Operations signed a range of partnership contracts with Meridian Energy Australia / Powershop, inclusive of a Service Agreement for operations of the wind farm. We will release our co-developed retail product in October.

## Acknowledgements

Hepburn Wind benefits greatly from our relationships with many organisations.

We are particularly grateful to Ron and Nathalie Liversidge, Powershop, Westgarth Corrs, Red Energy, Consolidated Power Projects, Green Button Electrical & Tech Services, Senvion Australia (formerly REpower Australia), Bendigo and Adelaide Bank, Bleyer Lawyers, Emily Wood, Powercor, Montimedia, Laser Electrical, Prowse, Perrin & Twomey Accountants, Heinz & Partners Lawyers, Marsh Insurance Brokers, Embark, Clean Energy Council, Australian Wind Alliance, Yes2Renewables, Melbourne University, Coalition for Community Energy, Latitude Group, Studio Aton, Security Transfer Registrars, Blanche Wheeler, Anthony Broese van Groeneu, Felix Wilson and Designscope. We are also indebted to countless others who have provided advice, reduced fees or support in other ways.

# 01

## 2015/16 Financials

## Hepburn Community Wind Park Co-Operative Ltd

# Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

## Financial Statements

**For the Year Ended 30 June 2016**

**Hepburn Community Wind Park Co-operative Ltd**
ABN 87 572 206 200

## Contents
**30 June 2016**

# Directors' Report
## 30 June 2016

Your directors present their report, together with the financial statements of the Group, being the Co-operative and its controlled entities, for the financial year ended 30 June 2016.

**Directors**

The names of the directors in office at any time during, or since the end of, the year are:

| Names | Position | Elected/Resigned |
|---|---|---|
| David Perry | Chairperson | Elected 6 November 2011<br>Re-elected 15 November 2014 |
| Bronwyn Baird | Director | Appointed 21 July 2015<br>Elected 7 November 2015 |
| Candy Broad | Director | Elected 23 November 2013 |
| John Edgoose | Director | Elected 23 March 2013<br>Retired 7 November 2015 |
| Kathy Richardson | Director | Appointed 12 December 2014<br>Elected 7 November 2015 |
| Ross Ulman | Director | Elected 7 November 2015 |
| Mitch Watson | Director | Elected 23 March 2013<br>Re-elected 7 November 2015 |
| Graham White | Director | Appointed 19 May 2015<br>Elected 7 November 2015 |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Staff**

At 30 June 2016, the Group employed two staff:
- Taryn Lane (Community Officer)
- Jessica Beavis (Administration Officer)

**Principal activities**

The principal activities of the Group over the course of the financial year were to:
- operate the wind farm, and
- optimise wind farm operations and the Co-operative functions.

No significant change in the nature of these activities occurred during the year.





Directors' Report
30 June 2016

**Operating results and review of operations**

The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) were $820,610 (2015: EBITDA of $368,386).

After allowing for significant depreciation of capital items and interest expenses the Group's result was a consolidated profit for the year of $306,215 (2015: consolidated loss of $166,059).

The table below summarises the operating result of the Group.

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Income | **1,199,485** | 792,343 |
| Expenses | **(378,875)** | (423,957) |
| **Earnings before interest, taxes, depreciation and amortisation (EBITDA)** | **820,610** | 368,386 |
| Interest | **(55,657)** | (77,893) |
| **Operating profit before depreciation, amortisation and income tax** | **764,953** | 290,493 |
| Depreciation and amortisation | **(458,738)** | (456,552) |
| **Operating profit (loss) before income tax** | **306,215** | (166,059) |
| Income tax expense | **-** | - |
| **Consolidated profit (loss) for the year** | **306,215** | (166,059) |

The group made earnings before interest, taxes, depreciation and amortisation of $820,610 (2015: $368,386) representing earnings of 8.23 cents per share (2015: 3.69 cents per share).

The group made an operating profit before depreciation, amortisation and income tax of $764,953 (2015: $290,493) representing earnings of 7.67 cents per share (2015: 2.91 cents per share). During the year $613,654 (2015: $215,111) was applied against the Group's loan facility.

**Dividends paid or recommended**

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made for the 2016 financial year.

**Significant changes in state of affairs**

The following significant changes in the state of affairs of the Group occurred during the financial year:

The wind farm experienced reduced generation between July and November 2015 due to an outage in the STATCOM, a large device that acts to maintain power quality in the local electricity network by adjusting the output of the wind farm when required. The Group are still awaiting the results of a root cause analysis from the STATCOM manufacturer, ABB, and continue to monitor performance closely.

After the carbon pricing framework implemented on 1 July 2012 was abolished in 2014 and the non statutory Renewable Energy Target Review within the same year created market lows, the market price for renewable energy certificates stabilised during the financial year. The REC price has subsequently increased to an all time high with an average combined price of $117.24 per megawatt during the year, a significant rise compared to the 2015 financial year average combined price of $67.50 and back in line with the original forecasts prepared by the Group.

In June 2016 the Group were able to finalise the release of the Set Off Agreement which had previously utilised a fixed term deposit of $500,000 held with Bendigo and Adelaide Bank Limited in the name of Embark Australia Ltd as security for the Group's loan from the Bendigo Bank Limited.

The Group has continued to pay down the Bendigo and Adelaide Bank Limited loan at an accelerated rate.

# Directors' Report
## 30 June 2016

### After balance date events

On 8 September 2016 the Group has signed a range of partnership contracts with Meridian Energy and Powershop including a Service Agreement for operations of the wind farm.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which have significantly affected or are anticipated to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

### Future developments and results

Wind farm performance is dependent upon market and weather factors that are inherently unpredictable.

The market price for renewable energy certificates stabilised during the financial year and the renewable energy certificate price has subsequently increased to an all time high to be back in line with the original forecasts prepared by the Group. Should the market remain stable over the coming year the Directors hope to offer a return of capital to members shortly after the end for the 2017 financial year.

Developments other than those discussed in this report and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

### Environmental issues

The Group's operations are subject to various environmental regulations under the laws of the Commonwealth and the State of Victoria. As a condition of the wind farm's planning permit, the Group has implemented the following plans:

(i) Environmental Management Plan
(ii) Bird and Bat Monitoring Plan
(iii) Preliminary Off-site Landscaping and Visual Screening Plan
(iv) On-site Landscape and Visual Screening Plan
(v) Heritage Management Protection Plan
(vi) Fire Management Plan
(vii) Noise Compliance Plan

Where applicable, these plans (available at hepburnwind.com.au/planning) have been endorsed by Hepburn Shire Council as the responsible planning authority. The plans have been implemented by the Group to the satisfaction of the responsible authority.

### Indemnification and insurance of officers and auditors

Insurance premiums were paid during the financial year for indemnity insurance for directors and officers of the Co-operative and its controlled entities.





# Directors' Report
## 30 June 2016

### Proceedings on behalf of the Co-operative

No person has applied for leave of court to bring proceedings on behalf of the Co-operative or its controlled entities or intervene in any proceedings to which the Co-operative or its controlled entities is a party for the purpose of taking responsibility on behalf of the Co-operative or its controlled entities for all or any part of those proceedings.

The Co-operative or its controlled entities were not a party to any such proceedings during the year.

### Information on Directors

| Director | Experience | Elected |
|---|---|---|
| David Perry | David holds a PhD in auditory neuroscience, and a bachelor degree in electrical engineering, both from The University of Melbourne. He previously worked on Australia's first bionic eye, and was Research and Program Manager at The Climate Group, and Systems Engineer for AgTech company Observant. He is currently Compute Integration Specialist at the University of Melbourne.<br><br>David and his partner live in Malmsbury. | Elected 6 November 2011<br>Re-elected 15 November 2014 |
| Bronwyn Baird | Bronwyn is the Managing Director of B cubed Management Consultants Pty Ltd (a certified B Corp) which provides individually tailored management accounting services to NFP and SME businesses. Her experience includes 10 years as a CFO and management accountant, and more than 15 years tax and compliance experience. Bronwyn is also a Director of Auchmeddan Pty Ltd. | Appointed 21 July 2015<br>Elected 7 November 2015 |
| Candy Broad | Candy is a former Victorian Minister for Energy and Resources, a Graduate of the Australian Institute of Company Directors and holds a Bachelor of Commerce (UWA). Candy was, until recently, the Member for Northern Victoria in the Victorian Parliament.<br><br>In 2002 Candy delivered a Greenhouse Strategy for Victoria which included increasing the development and use of renewable energy as a priority action. She was founding chair of the National Electricity Market Ministers forum, responsible for introducing retail contestability into energy markets in Victoria and responsible for establishing the Essential Services Commission to ensure compliance with energy consumer protection laws. | Elected 23 November 2013 |
| Kathy Richardson | Kathy is Executive Director and Chief Chaos Controller at Our Community, a pioneering Australian B Corp that works to educate and empower not-for-profit organisations and grant makers. Kathy oversees the Our Community's communications activities as well as helping to develop and embed technology reforms and new business directions. | Appointed 12 December 2014<br>Elected 7 November 2015 |
| Ross Ulman | Ross is a consultant physician who has, among other post graduate qualifications, a PHD in health services research/medical epidemiology. He has been an academic in the University of Melbourne's Department of Medicine (Royal Melbourne Hospital), Acting Medical Director of Alfred Hospital in Melbourne, and CEO and Medical Director of Hampton Rehabilitation Hospital in Melbourne. Latterly he has been self-employed, and currently his is semi-retired. Ross is a committed environmentalist – since 2002 living off the grid in eco-houses in Tasmania and then Musk Vale, and currently driving an electronic car. | Elected 7 November 2015 |

# Directors' Report
## 30 June 2016

### Information on Directors (continued)

| Director | Experience | Elected |
|---|---|---|
| Mitch Watson | Mitch is a permanent Daylesford resident and local business-owner, with tertiary qualifications in Applied Science and business management, and is currently completing an EMBA at RMIT.<br><br>Mitch operates two businesses in the local region, Daylesford Heirloom Farms, which grows and markets rare and old fruit and vegetable seedlings, and Daylesford and Hepburn Mineral Springs Company which is in transit to be a zero net emission company. | Elected 23 March 2013<br>Re-elected 7 November 2015 |
| Graham White | Graham is a Mechanical Engineer and has worked in the aerospace and energy industries for over 40 years. He has a Bachelor of Engineering (Thermodynamics and Aeronautics) from Carlton University in Ottawa and a Masters in Engineering Science (Solar) from the University of Western Australia.<br><br>Graham has worked extensively in a number of countries including significant periods in Canada, Australia, Papua New Guinea, New Zealand and India. Graham was the Managing Director of Garrad Hassan (Australasia), a renewable energy consultancy company for 15 years. During this period he was involved in many wind farm and solar projects, including tasks for the development of the Hepburn Wind project. Graham has recently retired and lives in Woodend. | Appointed 19 May 2015<br>Elected 7 November 2015 |

### Meetings of directors

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were as follows:

| | Directors' Meetings | |
|---|---|---|
| | Meetings attended | Meetings eligible to attend |
| David Perry | 11 | 11 |
| Bronwyn Baird | 8 | 9 |
| Candy Broad | 10 | 11 |
| John Edgoose | 3 | 4 |
| Kathy Richardson | 11 | 11 |
| Mitch Watson | 11 | 11 |
| Ross Ulman | 7 | 7 |
| Graham White | 9 | 11 |



Hepburn Community Wind Park Co-operative Ltd
ABN 87 572 206 200

# Directors' Report
## 30 June 2016

### Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2016, in accordance with section 307C of the *Corporations Act 2001*, has been received and can be found on page 7 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director:.....................................................
David Perry

Director: .....................................................
Mitch Watson

Dated 7 October 2016

PPT
AUDIT

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Hepburn Community Wind Park Co-operative Ltd
ABN 87 572 206 200

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Hepburn Community Wind Park Co-operative Ltd and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PPT Audit Pty Ltd
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PPT Audit Pty Ltd

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Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat, VIC 3350

Dated: 5 October 2016





Hepburn Community Wind Park Co-operative Ltd
ABN 87 572 206 200

## Statement of Comprehensive Income

### For the Year Ended 30 June 2016

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | $ | $ | $ | $ |
| Revenue | 3 | **1,199,485** | 792,343 | **47,655** | 57,826 |
| Administrative expenses | 4(a) | **(57,528)** | (46,770) | **(36,453)** | (24,404) |
| Communications, public meetings & events | 4(b) | **(11,599)** | (30,257) | **(11,599)** | (29,957) |
| Personnel expenses | 4(c) | **(43,845)** | (74,962) | **(43,845)** | (49,003) |
| Depreciation & amortisation | 4(d) | **(458,738)** | (456,552) | **-** | - |
| Interest | 4(e) | **(55,657)** | (77,893) | **(1)** | - |
| Other operating expenses | 4(f) | **(216,632)** | (244,273) | **(9,609)** | (8,929) |
| Community contributions | 4(g) | **(49,271)** | (27,695) | **(49,271)** | (27,695) |
| **Profit/(loss) before income tax** | | **306,215** | (166,059) | **(103,123)** | (82,162) |
| Income tax expense | 5 | **-** | - | **-** | - |
| **Profit/(loss) for the year** | | **306,215** | (166,059) | **(103,123)** | (82,162) |
| **Other comprehensive income:** | | | | | |
| Other comprehensive income for the year, net of tax | | **-** | - | **-** | - |
| **Total comprehensive income for the year** | | **306,215** | (166,059) | **(103,123)** | (82,162) |

The accompanying notes form part of these financial statements.

Hepburn Community Wind Park Co-operative Ltd
ABN 87 572 206 200

# Statement of Financial Position

## As At 30 June 2016

| | Note | Consolidated 2016 $ | Consolidated 2015 $ | Parent 2016 $ | Parent 2015 $ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 6 | **172,471** | 170,301 | **44,720** | 36,220 |
| Trade and other receivables | 7 | **384,133** | 203,212 | **5,944** | 5,834 |
| Inventories | 8 | **17,616** | 47,997 | **5,473** | 6,338 |
| TOTAL CURRENT ASSETS | | **574,220** | 421,510 | **56,137** | 48,392 |
| NON-CURRENT ASSETS | | | | | |
| Investments in subsidiaries | 9 | **-** | - | **20** | 20 |
| Other financial assets | 10 | **-** | - | **8,778,356** | 8,871,571 |
| Property, plant and equipment | 11 | **8,966,724** | 9,385,145 | **-** | - |
| TOTAL NON-CURRENT ASSETS | | **8,966,724** | 9,385,145 | **8,778,376** | 8,871,591 |
| TOTAL ASSETS | | **9,540,944** | 9,806,655 | **8,834,513** | 8,919,983 |
| **LIABILITIES** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 12 | **126,275** | 117,693 | **32,923** | 48,416 |
| Provisions | 13 | **46,377** | 13,671 | **46,377** | 13,671 |
| TOTAL CURRENT LIABILITIES | | **172,652** | 131,364 | **79,300** | 62,087 |
| NON-CURRENT LIABILITIES | | | | | |
| Borrowings | 14 | **686,235** | 1,299,889 | **-** | - |
| TOTAL NON-CURRENT LIABILITIES | | **686,235** | 1,299,889 | **-** | - |
| TOTAL LIABILITIES | | **858,887** | 1,431,253 | **79,300** | 62,087 |
| NET ASSETS | | **8,682,057** | 8,375,402 | **8,755,213** | 8,857,896 |
| **EQUITY** | | | | | |
| Issued capital | 15 | **9,976,504** | 9,976,064 | **9,976,504** | 9,976,064 |
| Retained earnings | | **(1,294,447)** | (1,600,662) | **(1,221,291)** | (1,118,168) |
| TOTAL EQUITY | | **8,682,057** | 8,375,402 | **8,755,213** | 8,857,896 |

The accompanying notes form part of these financial statements.



Hepburn Community Wind Park Co-operative Ltd
ABN 87 572 206 200

# Statement of Changes in Equity

## For the Year Ended 30 June 2016

## Parent

**2016**

| | Members Capital $ | Applications Pending $ | Share Premium Reserve $ | Retained Earnings $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2015** | **9,970,025** | **-** | **6,039** | **(1,118,168)** | **8,857,896** |
| Loss attributable to members of the parent entity | **-** | **-** | **-** | **(103,123)** | **(103,123)** |
| Issue of shares | **400** | **-** | **40** | **-** | **440** |
| **Balance at 30 June 2016** | **9,970,425** | **-** | **6,079** | **(1,221,291)** | **8,755,213** |

**2015**

| | Members Capital $ | Applications Pending $ | Share Premium Reserve $ | Retained Earnings $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2014** | 9,919,348 | 5,400 | 5,919 | (1,036,006) | 8,894,661 |
| Loss attributable to members of the parent entity | - | - | - | (82,162) | (82,162) |
| Applications written off | - | (5,400) | - | - | (5,400) |
| Issue of shares | 50,677 | - | 120 | - | 50,797 |
| **Balance at 30 June 2015** | 9,970,025 | - | 6,039 | (1,118,168) | 8,857,896 |

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity
For the Year Ended 30 June 2016

## Consolidated

2016

| | Members Capital | Applications Pending | Share Premium Reserve | Retained Earnings | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 July 2015** | **9,970,025** | **-** | **6,039** | **(1,600,662)** | **8,375,402** |
| Profit attributable to members of the consolidated entity | **-** | **-** | **-** | **306,215** | **306,215** |
| Issue of shares | **400** | **-** | **40** | **-** | **440** |
| **Balance at 30 June 2016** | **9,970,425** | **-** | **6,079** | **(1,294,447)** | **8,682,057** |

2015

| | Members Capital | Applications Pending | Share Premium Reserve | Retained Earnings | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 July 2014** | 9,919,348 | 5,400 | 5,919 | (1,434,603) | 8,496,064 |
| Loss attributable to members of the consolidated entity | - | - | - | (166,059) | (166,059) |
| Applications written off | - | (5,400) | - | - | (5,400) |
| Issue of shares | 50,677 | - | 120 | - | 50,797 |
| **Balance at 30 June 2015** | 9,970,025 | - | 6,039 | (1,600,662) | 8,375,402 |

The accompanying notes form part of these financial statements.





# Statement of Cash Flows
For the Year Ended 30 June 2016

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Note | $ | $ | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | | | |
| Receipts from customers | | **1,043,641** | 836,019 | **27,875** | 64,323 |
| Payments to suppliers and employees | | **(332,825)** | (380,001) | **(120,154)** | (182,465) |
| Interest received | | **542** | 2,328 | **79** | 58 |
| Finance costs | | **(55,657)** | (77,893) | **(1)** | - |
| Net cash provided by/(used in) operating activities | 18 | **655,701** | 380,453 | **(92,201)** | (118,084) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | | | |
| Purchase of property, plant and equipment | | **(40,317)** | (94,723) | **-** | - |
| Loans repaid/(made to) related parties | | **-** | - | **100,261** | 131,351 |
| Net cash provided by/(used in) investing activities | | **(40,317)** | (94,723) | **100,261** | 131,351 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | | | |
| Proceeds/(refunds) from share applications | | **440** | 220 | **440** | 220 |
| Repayment of borrowings | | **(613,654)** | (215,111) | **-** | - |
| Net cash provided by/(used in) financing activities | | **(613,214)** | (214,891) | **440** | 220 |
| Net increase/(decrease) in cash and cash equivalents held | | **2,170** | 70,839 | **8,500** | 13,487 |
| Cash and cash equivalents at beginning of year | | **170,301** | 99,462 | **36,220** | 22,733 |
| Cash and cash equivalents at end of financial year | 6 | **172,471** | 170,301 | **44,720** | 36,220 |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

The financial report includes the consolidated financial statements and notes of Hepburn Community Wind Park Co-operative Ltd and controlled entities (the Group) and the separate financial statements and notes of Hepburn Community Wind Park Co-operative Ltd as an individual parent entity (Parent), incorporated and domiciled in Australia.

**1 Summary of Significant Accounting Policies**

**(a) Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(b) Principles of consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Hepburn Community Wind Park Co-operative Ltd at the end of the reporting period. A controlled entity is any entity over which Hepburn Community Wind Park Co-operative Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period that they were controlled. A list of controlled entities is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

**(c) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**(d) Inventories**

A controlled company of the Co-operative receives Large-scale Generation Certificates (LGCs) arising from its generation of renewable energy, which it holds available for sale. The Co-operative also holds an inventory of LGCs which are available for sale. The LGCs have been valued using the offer price from Green Energy Trading at which the LGCs could be sold immediately following the balance date.

All other items of inventory are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.







**1 Summary of Significant Accounting Policies (continued)**

**(e) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Land and buildings are measured at cost less accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a prime cost or diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

Plant and grid connection assets are depreciated at a rate of 4% - prime cost basis.
Office equipment assets are depreciated at a rate of 66.66% - diminishing value basis.

Plant and grid connection assets were depreciated on a diminishing value basis (4%) up until 30 June 2014. From 1 July 2014 plant and grid connection assets are being depreciated on a prime cost basis to more accurately reflect the expected useful lives of these assets. The change in depreciation method has resulted in an increase in the amount of the depreciation expense during the year.

The asset's residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

**(f) Intangibles and amortisation**

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**1 Summary of Significant Accounting Policies (continued)**

**(g) Financial instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

(d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.





**1 Summary of Significant Accounting Policies (continued)**

**(g) Financial instruments (continued)**

**(i)** Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

**(ii)** Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which are classified as non-current assets.

**(iii)** Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which are classified as current assets.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

The Group did not hold any held-to-maturity investments in the current or comparative financial year.

**(iv)** Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which are classified as current assets.

**(v)** Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as intangible assets and are amortised over the lesser of the term of the loan or five years.

1 Summary of Significant Accounting Policies (continued)

(g) Financial instruments (continued)

Borrowings are classified as current liabilities except for those where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, which are classified as non-current liabilities.

**Impairment**

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss. However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of comprehensive income.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

When available-for-sale investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(h) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment includes considering external sources of information and internal sources of information and dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Value in use is calculated by discounting the estimated future cash flows of the asset or cash-generating unit (CGU) at a pre-tax discount rate reflecting the specific risks in the asset or CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.





1 Summary of Significant Accounting Policies (continued)

(h) Impairment of non-financial assets (continued)

Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of goodwill to nil and then to the other assets in the unit in proportion to their carrying amount.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Assets, other than goodwill, that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately, unless the relevant asset is property, plant and equipment held at fair value (other than investment property carried at a revalued amount) in which case the impairment loss is treated as a revaluation decrease as described in the accounting policy for property, plant and equipment.

(i) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

(k) Income tax

Hepburn Community Wind Park Co-operative Ltd and its wholly owned Australian subsidiaries have formed an income tax consolidated group. All members of the income tax consolidated group are taxed as a single entity.

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Each entity in the income tax consolidated group reports its contribution to the income tax expense (income) of the consolidated group. Tax losses incurred by members of the income tax consolidated group are applied to reduce any tax payable by the other entities in the income tax group prior to giving rise to deferred tax assets.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

**1 Summary of Significant Accounting Policies (continued)**

**(k) Income tax (continued)**

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting year. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

**(l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.





**1 Summary of Significant Accounting Policies (continued)**

**(m) Revenue and other income**

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as discussed below.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

**Sale of goods**

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

**Provision of services**

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

**(n) Borrowing costs**

Borrowing costs are recorded as intangible assets and are amortised over the life of the related borrowings.

**(o) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(p) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

### 2 Change in Comparative Figures

In September 2016 the Group was contacted by Powercor Australia who advised that the Group are eligible retrospectively for transmission use of system (TUOS) rebates to embedded generators registered with AEMO in accordance with clause 5.5(h) of the National Electricity Rules. The Group is eligible for total TUOS rebates of $96,205 plus GST owing for the financial years ended 30 June 2011 through 30 June 2015. The comparative figures in the financial statements have been changed to reflect the additional income of the Group.

The Group operate a Community Fund for the purpose of making contributions to local community groups. The balance of the obligation of the Group for amounts that are available to be applied on behalf of the Community Fund have not previously been recorded as a provision for community grants in the financial statements. The comparative figures in the financial statements have been changed to reflect the provision for community grants.

The aggregate effect of the change on the annual financial statements for the year ended 30 June 2015 is as follows:

| | Previously stated | 2015 Adjustment | Restated |
|---|---|---|---|
| | $ | $ | $ |
| **Consolidated** | | | |
| **Statement of Comprehensive Income (extract)** | | | |
| Transmission use of system income | - | 7,345 | 7,345 |
| Provision for community fund grants | - | 6,836 | 6,836 |
| **Statement of Financial Position (extract)** | | | |
| Trade receivables and accrued income | 92,094 | 105,824 | 197,918 |
| GST payable | 31,509 | 9,620 | 41,129 |
| Provision for community fund grants | - | 12,126 | 12,126 |
| **Statement of Changes in Equity (extract)** | | | |
| Opening accumulated losses | (1,518,172) | 83,569 | (1,434,603) |



Hepburn Community Wind Park Co-operative Ltd
ABN 87 572 206 200

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

### 3 Revenue and Other Income

| | Consolidated 2016 | Consolidated 2015 | Parent 2016 | Parent 2015 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Operating revenue** | | | | |
| Electricity | **417,863** | 316,362 | **-** | - |
| Large-scale Generation Certificates | **743,673** | 429,612 | **-** | - |
| Transmission use of system income | **19,347** | 7,345 | **-** | - |
| Movement in inventory of Large-scale Generation Certificates | **(27,407)** | (19,579) | **2,109** | 1,495 |
| | **1,153,476** | 733,740 | **2,109** | 1,495 |
| **Other revenue** | | | | |
| Interest income | **542** | 2,328 | **79** | 56 |
| Site tours | **946** | 1,900 | **946** | 1,900 |
| Community fund contribution from Red Energy | **18,375** | 22,942 | **18,375** | 22,942 |
| Prior year grant creditor reversal | **24,500** | - | **24,500** | - |
| Event income | **-** | 27,509 | **-** | 27,509 |
| Other income | **1,646** | 3,924 | **1,646** | 3,924 |
| | **46,009** | 58,603 | **45,546** | 56,331 |
| | **1,199,485** | 792,343 | **47,655** | 57,826 |

### 4 Operating expenses

(a) Administration expenses

| | Consolidated 2016 | Consolidated 2015 | Parent 2016 | Parent 2015 |
|---|---|---|---|---|
| Accounting fees | **12,030** | 12,800 | **6,540** | 6,400 |
| Audit fees | **4,950** | 4,750 | **2,475** | 2,375 |
| Bank charges | **6,810** | 7,604 | **91** | 56 |
| Bookkeeping | **8,470** | 10,511 | **3,570** | 5,311 |
| CFO Expenses | **1,250** | - | **625** | - |
| Legal services | **-** | 415 | **-** | - |
| Office supplies & information technology | **3,140** | 5,018 | **2,520** | 4,833 |
| Secretarial fees | **321** | 316 | **75** | 73 |
| Share registry | **5,755** | 5,356 | **5,755** | 5,356 |
| Website expenses | **14,802** | - | **14,802** | - |
| | **57,528** | 46,770 | **36,453** | 24,404 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

**4 Operating expenses (continued)**

(b) Communications, public meetings & events

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Advertising | **5,000** | 500 | **5,000** | 500 |
| Contributions to landowner | **1,301** | 127 | **1,301** | 127 |
| Merchandise written off | **2,974** | - | **2,974** | - |
| Meals & entertainment | **24** | 500 | **24** | 500 |
| Public events & meetings | **2,300** | 29,130 | **2,300** | 28,830 |
| | **11,599** | 30,257 | **11,599** | 29,957 |

(c) Personnel expenses

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Staff training & welfare | **70** | 1,050 | **70** | - |
| Superannuation contributions | **3,697** | 6,197 | **3,697** | 6,197 |
| Wages, salaries and contractors | **39,888** | 66,018 | **39,888** | 41,109 |
| Workcover | **-** | 1,122 | **-** | 1,122 |
| Movement in leave provisions | **190** | 575 | **190** | 575 |
| | **43,845** | 74,962 | **43,845** | 49,003 |

(d) Depreciation and amortisation

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Amortisation | **-** | 1,016 | **-** | - |
| Depreciation | **458,738** | 455,536 | **-** | - |
| | **458,738** | 456,552 | **-** | - |

(e) Interest

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Interest paid | **55,657** | 77,893 | **1** | - |
| | **55,657** | 77,893 | **1** | - |



Hepburn Community Wind Park Co-operative Ltd
ABN 87 572 206 200

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

**4 Operating expenses (continued)**

(f) Other operating expenses

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Insurance | **23,301** | 30,369 | **6,323** | 6,368 |
| Licence fees | **1,618** | 1,270 | **1,393** | 45 |
| Loss on disposal of fixed assets | **-** | 1,613 | **-** | - |
| Municipal payment in lieu of rates | **15,599** | 24,246 | **-** | - |
| Office rent | **3,813** | 4,636 | **1,893** | 2,516 |
| Wind farm construction | **-** | 1,212 | **-** | - |
| Wind farm rent | **24,811** | 24,442 | **-** | - |
| Wind farm operation | **147,490** | 156,485 | **-** | - |
| | **216,632** | 244,273 | **9,609** | 8,929 |

(g) Community contributions

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Community fund grants | **-** | 17,973 | **-** | 17,973 |
| Local benefit program | **900** | 1,386 | **900** | 1,386 |
| Sponsorships | **855** | 1,500 | **855** | 1,500 |
| Energy fund | **15,000** | - | **15,000** | - |
| Provision for community fund programme | **32,516** | 6,836 | **32,516** | 6,836 |
| | **49,271** | 27,695 | **49,271** | 27,695 |

## Notes to the Financial Statements
### For the Year Ended 30 June 2016

### 5 Income Tax Expense

(a) The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

| | Consolidated 2016 $ | Consolidated 2015 $ | Parent 2016 $ | Parent 2015 $ |
|---|---|---|---|---|
| Prima facie tax expense (benefit) on profit (loss) before income tax at 30% (2015: 30%) | **91,864** | (49,818) | **(30,967)** | (24,649) |
| Add tax effect of: | | | | |
| - Tax loss not booked | **63,516** | 315,856 | **28,482** | 17,414 |
| - Timing differences | **-** | - | **2,485** | 7,235 |
| Less tax effect of: | | | | |
| - Timing differences | **(155,380)** | (266,038) | **-** | - |
| Income tax expense | **-** | - | **-** | - |

(b) Tax assets are not recognised until it is probable that future profits will be available against which the benefits of the deferred tax asset can be utilised.

| | Consolidated 2016 $ | Consolidated 2015 $ | Parent 2016 $ | Parent 2015 $ |
|---|---|---|---|---|
| Deferred tax assets that have not been recorded in the financial statements are comprised as follows: | | | | |
| Tax losses | **2,367,348** | 2,303,832 | **486,205** | 457,724 |
| | **2,367,348** | 2,303,832 | **486,205** | 457,724 |

### 6 Cash and Cash Equivalents

| | Consolidated 2016 $ | Consolidated 2015 $ | Parent 2016 $ | Parent 2015 $ |
|---|---|---|---|---|
| Operating accounts | **172,471** | 170,301 | **44,720** | 36,220 |
| | **172,471** | 170,301 | **44,720** | 36,220 |

### 7 Trade and Other Receivables

| | Consolidated 2016 $ | Consolidated 2015 $ | Parent 2016 $ | Parent 2015 $ |
|---|---|---|---|---|
| Trade receivables and accrued income | **361,344** | 197,918 | **-** | 552 |
| Other trade receivables | **1,499** | 5,239 | **1,499** | 5,239 |
| | **362,843** | 203,157 | **1,499** | 5,791 |
| Prepayments | **19,752** | - | **2,108** | - |
| GST receivable | **-** | - | **797** | - |
| Other receivables | **1,538** | 55 | **1,540** | 43 |
| | **384,133** | 203,212 | **5,944** | 5,834 |

### 8 Inventories

| | Consolidated 2016 $ | Consolidated 2015 $ | Parent 2016 $ | Parent 2015 $ |
|---|---|---|---|---|
| Merchandise | **-** | 2,974 | **-** | 2,974 |
| Large-scale Generation Certificates | **17,616** | 45,023 | **5,473** | 3,364 |
| | **17,616** | 47,997 | **5,473** | 6,338 |





## Notes to the Financial Statements
### For the Year Ended 30 June 2016

### 9 Investments in subsidaries

| | Consolidated 2016 $ | Consolidated 2015 $ | Parent 2016 $ | Parent 2015 $ |
|---|---|---|---|---|
| Leonards Hill Wind Operations Pty Ltd | **-** | - | **20** | 20 |
| | **-** | - | **20** | 20 |

### 10 Other Financial Assets

| | Consolidated 2016 $ | Consolidated 2015 $ | Parent 2016 $ | Parent 2015 $ |
|---|---|---|---|---|
| LOANS TO RELATED ENTITIES | | | | |
| Leonards Hill Wind Operations Pty Ltd | **-** | - | **8,778,356** | 8,871,571 |
| | **-** | - | **8,778,356** | 8,871,571 |

### 11 Property, Plant and Equipment

| | Consolidated 2016 $ | Consolidated 2015 $ | Parent 2016 $ | Parent 2015 $ |
|---|---|---|---|---|
| PLANT AND GRID CONNECTION | | | | |
| Wind Farm Development | | | | |
| At cost | **180,988** | 180,988 | **-** | - |
| Accumulated depreciation | **(16,934)** | (9,675) | **-** | - |
| | **164,054** | 171,313 | **-** | - |
| Wind Farm Construction | | | | |
| At cost | **11,154,801** | 11,114,484 | **-** | - |
| Accumulated depreciation | **(2,469,857)** | (2,024,333) | **-** | - |
| | **8,684,944** | 9,090,151 | **-** | - |
| Wind Farm Compliance | | | | |
| At cost | **127,370** | 127,370 | **-** | - |
| Accumulated depreciation | **(24,525)** | (19,413) | **-** | - |
| | **102,845** | 107,957 | **-** | - |
| Wind Farm Project Management | | | | |
| At cost | **18,512** | 18,512 | **-** | - |
| Accumulated depreciation | **(3,682)** | (2,939) | **-** | - |
| | **14,830** | 15,573 | **-** | - |
| OFFICE EQUIPMENT | | | | |
| Computer Equipment | | | | |
| At cost | **803** | 803 | **-** | - |
| Accumulated depreciation | **(752)** | (652) | **-** | - |
| Total office equipment | **51** | 151 | **-** | - |
| **Total property, plant and equipment** | **8,966,724** | 9,385,145 | **-** | - |

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

### 11 Property, Plant and Equipment (continued)

#### (a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Wind Farm Development | Wind Farm Construction | Wind Farm Compliance | Wind Farm Project Management | Computer Equipment | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Balance at the beginning of year | 171,313 | 9,090,151 | 107,957 | 15,573 | 151 | 9,385,145 |
| Additions | - | 40,317 | - | - | - | 40,317 |
| Depreciation expense | (7,259) | (445,524) | (5,112) | (743) | (100) | (458,738) |
| **Balance at 30 June 2016** | 164,054 | 8,684,944 | 102,845 | 14,830 | 51 | 8,966,724 |

### 12 Trade and Other Payables

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Trade payables | 74,423 | 73,397 | 29,906 | 45,078 |
| Accrued expense | 6,203 | - | - | - |
| GST payable | 42,521 | 41,129 | - | 171 |
| PAYG withholding payable | 1,990 | 2,122 | 1,990 | 2,122 |
| Superannuation payable | 1,019 | 1,041 | 1,019 | 1,041 |
| Other payables | 119 | 4 | 8 | 4 |
| | 126,275 | 117,693 | 32,923 | 48,416 |





# Notes to the Financial Statements
## For the Year Ended 30 June 2016

### 13 Provisions

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Provision for annual leave | 1,735 | 1,545 | 1,735 | 1,545 |
| Provision for community fund programme (i) | 44,642 | 12,126 | 44,642 | 12,126 |
| | 46,377 | 13,671 | 46,377 | 13,671 |

#### (i) Community Fund

The Co-operative operates a Community Fund for the purpose of making contributions to local community groups.

The Co-operative maintains a separate bank account on behalf of the Community Fund. The balance of the Community Fund account and transactions during the year are included in the statement of financial position and statement of comprehensive income of the Co-operative. The amounts applied to (by) the Community Fund and the provision for the balance of funds available for use by the Community Fund are set out below:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Opening community fund balance | 12,126 | 5,290 | 12,126 | 5,290 |
| Contribution by Co-operative | 11,625 | 12,558 | 11,625 | 12,558 |
| Contribution by Red Energy | 18,375 | 17,442 | 18,375 | 17,442 |
| Prior year grant creditor reversal | 24,500 | - | 24,500 | - |
| Site tours | 238 | 259 | 238 | 259 |
| Interest income | 79 | 56 | 79 | 56 |
| Grants to community groups | - | (17,973) | - | (17,973) |
| Sponsorships to community groups | (855) | (1,500) | (855) | (1,500) |
| Local benefit sharing | (900) | (1,386) | (900) | (1,386) |
| Energy fund | (15,000) | - | (15,000) | - |
| Management fee | (5,540) | (2,616) | (5,540) | (2,616) |
| Bank charges | (6) | (4) | (6) | (4) |
| | 44,642 | 12,126 | 44,642 | 12,126 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

### 14 Borrowings

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| **Bank Loans** | | | | |
| Bendigo and Adelaide Bank | **686,235** | 1,299,889 | **-** | - |
| | **686,235** | 1,299,889 | **-** | - |

The limit of the bank loan facility from Bendigo and Adelaide Bank was reduced by agreement during the year from $2,504,858 to $1,500,000 at 30 June 2016.

The Bendigo and Adelaide Bank holds the following securities in relation to the bank loan:
- Registered Mortgage Debenture over Leonards Hill Wind Operations Pty Ltd.
- Unlimited Guarantee and Indemnity from Hepburn Community Wind Park Co-operative Ltd and Embark Australia Ltd.
- Mortgage of Lease incorporating right of access over property situated at Leonards Hill, Victoria in the name of Leonards Hill Wind Operations Pty Ltd.
- Registered Charge over Hepburn Community Wind Park Co-operative Ltd.

### 15 Issued Capital

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| 9,970,425 ordinary shares (2015: 9,970,025) | **9,970,425** | 9,970,025 | **9,970,425** | 9,970,025 |
| Share premium reserve | **6,079** | 6,039 | **6,079** | 6,039 |
| | **9,976,504** | 9,976,064 | **9,976,504** | 9,976,064 |

Ordinary shares participate in dividends and the proceeds on winding up of the Co-operative in proportion to the number of shares held. At a meeting of shareholders of the Co-operative each member is entitled to one vote when a poll is called, regardless of the number of shares held.

Issued capital may be required to be treated as a liability if there is a right for members to request redemption, or if a member's funds must be repaid, for example as a result of the member not meeting the active member test. The rules of the Co-operative do not provide for members to request redemption, however, repayment of issued capital may be required within twelve months after a member has been inactive or uncontactable for three years. No issued capital is currently repayable and, accordingly, issued capital has been treated as equity.

Ordinary shares for which application was made after 1 July 2011 have been issued at a premium to the nominal value of $1.00 per share. Any premium paid for shares issued are allocated to the share premium reserve.

### 16 Contingent Liabilities

In the opinion of the Directors, the Co-operative did not have any contingent assets or liabilities at 30 June 2016.

### 17 Dividends

There were no dividends declared or paid in the current or previous financial year.





# Notes to the Financial Statements
## For the Year Ended 30 June 2016

### 18 Cash Flow Information

Reconciliation of net result for the year to cash flows provided by operating activities:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Profit/(loss) for the year | **306,215** | (166,059) | **(103,123)** | (82,162) |
| Non-cash flows in profit: | | | | |
| Depreciation and amortisation | **458,738** | 456,552 | **-** | - |
| Loss on sale of property, plant & equipment | **-** | 1,613 | **-** | - |
| Write back of share applications pending | **-** | (3,923) | **-** | (3,923) |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | | | |
| (Increase)/decrease in trade and other receivables | **(180,933)** | 30,351 | **686** | 11,973 |
| (Increase)/decrease in related party loans | **-** | - | **(7,046)** | (39,712) |
| (Increase)/decrease in inventories | **30,381** | 19,579 | **865** | (1,495) |
| Increase/(decrease) in trade and other payables | **8,594** | 34,928 | **(16,289)** | (10,177) |
| (Increase)/decrease in provision for employee entitlements | **190** | 576 | **190** | 576 |
| (Increase)/decrease in provision for community fund grants | **32,516** | 6,836 | **32,516** | 6,836 |
| Cashflow from operations | **655,701** | 380,453 | **(92,201)** | (118,084) |

### 19 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, bank loans and overdrafts, loans to and from subsidiaries and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **172,471** | 170,301 | **44,720** | 36,220 |
| Trade and other receivables | **384,133** | 203,212 | **5,944** | 5,834 |
| Loans to related parties | **-** | - | **8,778,356** | 8,871,571 |
| **Total financial assets** | **556,604** | 373,513 | **8,829,020** | 8,913,625 |
| **Financial Liabilities** | | | | |
| Trade and other payables | **126,275** | 117,693 | **32,923** | 48,416 |
| Borrowings | **686,235** | 1,299,889 | **-** | - |
| **Total financial liabilities** | **812,510** | 1,417,582 | **32,923** | 48,416 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

### 20 Key Management Personnel Compensation

The total remuneration paid to key management personnel of the Co-operative and its controlled entities was $36,108 (2015: $62,646).

### 21 Related Party Transactions

**Related Parties**

The Group's main related parties are as follows:

*Key management personnel*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 20: Key Management Personnel Compensation.

*Other related parties*

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

**Transactions with related parties**

There were no transactions with related parties during the financial year.

### 22 Controlled Entities

| | Country of Incorporation | 2016 Percentage Owned (%)* | 2015 Percentage Owned (%)* |
|---|---|---|---|
| Leonards Hill Wind Operations Pty Ltd | Australia | **100** | 100 |

* Percentage of voting power is in proportion to ownership

### 23 Co-operative Details

The registered office and principal place of business of the Co-operative is:
Hepburn Community Wind Park Co-operative Ltd
13 Knox Street
Daylesford Victoria 3460



Hepburn Community Wind Park Co-operative Ltd
ABN 87 572 206 200

# Directors' Declaration

The directors of the Co-operative declare that:

1. The financial statements and notes, as set out on pages 8 to 31, are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards - Reduced Disclosure Requirements; and

   b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Co-operative and its controlled entities.

2. In the directors' opinion, there are reasonable grounds to believe that the Co-operative and its controlled entities will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: ........................................................ David Perry

Director: ........................................................ Mitch Watson

Dated 7 October 2016

PPT AUDIT

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**Email** ppt@ppt.com.au
**Web** www.ppt.com.au
**Phone** (03) 5331 3711
**Fax** (03) 5331 7980

**Hepburn Community Wind Park Co-operative Ltd**
**ABN 87 572 206 200**

## Independent Audit Report to the members of Hepburn Community Wind Park Co-operative Ltd

We have audited the accompanying financial report of Hepburn Community Wind Park Co-operative Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Co-operative and the consolidated entity comprising the Co-operative and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the Co-operative are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Co-operative's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hepburn Community Wind Park Co-operative Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.



PPT AUDIT

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**Hepburn Community Wind Park Co-operative Ltd**
**ABN 87 572 206 200**

## Independent Audit Report to the members of Hepburn Community Wind Park Co-operative Ltd

*Opinion*

In our opinion the financial report of Hepburn Community Wind Park Co-operative Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Co-operative's and the consoldiated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

PPT Audit Pty Ltd

.......................................................
PPT Audit Pty Ltd

.......................................................
Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat, VIC  3350

Dated: 7 October 2016

# 02

2015/16 Financials
Leonards Hill Wind Operations Pty Ltd Ltd

# Leonards Hill Wind Operations Pty Ltd

ABN 86 141 239 894

## Financial Statements

For the Year Ended 30 June 2016

Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

# Contents
## 30 June 2016



Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

# Directors' Report
## 30 June 2016

Your directors present their report on Leonards Hill Wind Operations Pty Ltd for the financial year ended 30 June 2016.

**Information on directors**

The names of each person who has been a director during the year and to the date of this report are:

| | |
|---|---|
| David Perry | Appointed as a director 14 November 2014 |
| Graham White | Appointed as a director 7 November 2015 |
| John Edgoose | Appointed as a director 8 May 2015 |
| | Retired as a director 7 November 2015 |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Principal activities**

The principal activities of Leonards Hill Wind Operations Pty Ltd over the course of the financial year were to:

- operate the wind farm, and
- optimise wind farm operations.

No significant change in the nature of the entity's activities occurred during the year.

**Operating results**

The profit of the Company after providing for income tax amounted to $409,341 (2015: loss of $83,897).

**Dividends paid or recommended**

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

**Significant changes in state of affairs**

The following significant changes in the state of affairs of the Company occurred during the financial year:

The wind farm experienced reduced generation between July and November 2015 due to an outage in the STATCOM, a large device that acts to maintain power quality in the local electricity network by adjusting the output of the wind farm when required. The Company is still awaiting the results of a root cause analysis from the STATCOM manufacturer, ABB, and continue to monitor performance closely.

After the carbon pricing framework implemented on 1 July 2012 was abolished in 2014 and the non statutory Renewable Energy Target Review within the same year created market lows, the market price for renewable energy certificates stabilised during the financial year. The REC price has subsequently increased to an all time high with an average combined price of $117.24 per megawatt during the year, a significant rise compared to the 2015 financial year average combined price of $67.50 and back in line with the original forecasts prepared by the Company.

In June 2016 the company was able to finalise the release of the Set Off Agreement which had previously utilised a fixed term deposit of $500,000 held with Bendigo and Adelaide Bank Limited in the name of Embark Australia Ltd as security for the company's loan from the Bendigo and Adelaide Bank Limited.

The company has continued to pay down the Bendigo and Adelaide Bank Limited loan at an accelerated rate.

**After balance date events**

On 8 September 2016 the Company has signed a range of partnership contracts with Meridian Energy Australia and Powershop including a Service Agreement for operations of the wind farm.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

**Future developments and results**

Wind farm performance is dependent upon market and weather factors that are inherently unpredictable.

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

**Environmental issues**

The Company's operations are subject to various environmental regulations under the laws of the Commonwealth and the State of Victoria. As a condition of the wind farm's planning permit, the Company has developed the following plans:

(i) Environmental Management Plan
(ii) Bird and Bat Monitoring Plan
(iii) Preliminary Off-Site Landscaping and Visual Screening Plan
(iv) On-site Landscape and Visual Screening Plan
(v) Heritage Management Protection Plan
(vi) Fire Management Plan
(vii) Noise Compliance Plan

Where applicable, these plans (available at hepburnwind.com.au/planning) have been endorsed by Hepburn Shire Council as the responsible planning authority. The plans have been implemented by the Company to the satisfaction of the responsible authority.

**Options**

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.



Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

Directors' Report
30 June 2016

**Indemnification and insurance of officers and auditors**

Insurance premiums were paid during the financial year for indemnity insurance for directors and officeholders of Leonards Hill Wind Operations Pty Ltd.

**Proceedings on behalf of company**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**Auditor's independence declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2016 has been received and can be found on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: ........................................................ Director: ........................................................
David Perry Graham White

Dated 7 October 2016

PPT
AUDIT

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**Phone** (03) 5331 3711
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Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Leonards Hill Wind Operations Pty Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PPT Audit Pty Ltd
PPT Audit Pty Ltd

Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat, VIC 3350

Dated 6 October 2016





Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

## Statement of Comprehensive Income
### For the Year Ended 30 June 2016

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| Revenue | 3 | **1,151,830** | 734,517 |
| Administrative expenses | 4(a) | **(21,075)** | (22,366) |
| Travel and accommodation | 4(b) | **-** | (300) |
| Personnel expenses | 4(c) | **-** | (25,959) |
| Depreciation and amortisation | 4(d) | **(458,738)** | (456,552) |
| Interest | 4(e) | **(55,656)** | (77,893) |
| Other operating expenses | 4(f) | **(207,020)** | (235,344) |
| **Profit before income tax** | | **409,341** | (83,897) |
| Income tax expense | 5 | **-** | - |
| **Profit for the year** | | **409,341** | (83,897) |
| **Other comprehensive income:** | | | |
| Other comprehensive income for the year, net of tax | | **-** | - |
| **Total comprehensive income for the year** | | **409,341** | (83,897) |

The accompanying notes form part of these financial statements.

Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

# Statement of Financial Position
## As At 30 June 2016

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | **127,751** | 134,081 |
| Trade and other receivables | 7 | **378,990** | 197,378 |
| Inventories | 8 | **12,143** | 41,659 |
| TOTAL CURRENT ASSETS | | **518,884** | 373,118 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | **8,966,724** | 9,385,145 |
| TOTAL NON-CURRENT ASSETS | | **8,966,724** | 9,385,145 |
| TOTAL ASSETS | | **9,485,608** | 9,758,263 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | **94,151** | 69,278 |
| TOTAL CURRENT LIABILITIES | | **94,151** | 69,278 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 11 | **9,464,591** | 10,171,460 |
| TOTAL NON-CURRENT LIABILITIES | | **9,464,591** | 10,171,460 |
| TOTAL LIABILITIES | | **9,558,742** | 10,240,738 |
| NET ASSETS | | **(73,134)** | (482,475) |
| **EQUITY** | | | |
| Issued capital | 12 | **20** | 20 |
| Retained earnings | | **(73,154)** | (482,495) |
| TOTAL EQUITY | | **(73,134)** | (482,475) |

The accompanying notes form part of these financial statements.



Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

# Statement of Changes in Equity
## For the Year Ended 30 June 2016

**2016**

| | Ordinary Shares $ | Retained Earnings $ | Total $ |
|---|---|---|---|
| **Balance at 1 July 2015** | **20** | **(482,495)** | **(482,475)** |
| Profit attributable to members of the entity | **-** | **409,341** | **409,341** |
| **Balance at 30 June 2016** | **20** | **(73,154)** | **(73,134)** |

**2015**

| | Ordinary Shares $ | Retained Earnings $ | Total $ |
|---|---|---|---|
| **Balance at 1 July 2014** | 20 | (398,598) | (398,578) |
| Loss attributable to members of the entity | - | (83,897) | (83,897) |
| **Balance at 30 June 2015** | 20 | (482,495) | (482,475) |

The accompanying notes form part of these financial statements.

# Statement of Cash Flows
## For the Year Ended 30 June 2016

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **1,015,765** | 771,696 |
| Payments to suppliers and employees | | **(212,670)** | (197,536) |
| Interest received | | **463** | 2,270 |
| Interest paid | | **(55,656)** | (77,893) |
| Net cash provided by operating activities | 14 | **747,902** | 498,537 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Payments for plant and equipment | | **(40,317)** | (94,723) |
| Net cash provided by/(used in) investing activities | | **(40,317)** | (94,723) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Net proceeds (repayments) of related entity loans | | **(100,261)** | (131,351) |
| Net proceeds (repayments) of bank loans | | **(613,654)** | (215,111) |
| Net cash used in financing activities | | **(713,915)** | (346,462) |
| Net increase/(decrease) in cash and cash equivalents held | | **(6,330)** | 57,352 |
| Cash and cash equivalents at beginning of year | | **134,081** | 76,729 |
| Cash and cash equivalents at end of financial year | 6 | **127,751** | 134,081 |

The accompanying notes form part of these financial statements.





# Notes to the Financial Statements
## For the Year Ended 30 June 2016

**1 Summary of Significant Accounting Policies**

**(a) Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(b) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value.

**(c) Inventories**

The Company receives Large-scale Generation Certificates (LGCs) arising from its generation of renewable energy, which it holds available for sale. The Company has valued LGCs held using the offer price from Green Energy Trading at which it could sell the LGCs immediately following the balance date.

All other items of inventory are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(d) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Land and buildings are measured at cost less accumulated depreciation and impairment losses.

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a prime cost or diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

Plant and grid connection assets are depreciated at a rate of 4% - prime cost basis.
Office equipment assets are depreciate at a rate of 66.66% - diminishing value basis.

Plant and grid connection assets were depreciated on a diminishing value basis (4%) up until 30 June 2014. From 1 July 2014 plant and grid connection assets are being depreciated on a prime cost basis to more accurately reflect the expected useful lives of these assets. The change in depreciation method has resulted in an increase in the amount of the depreciation expense during the year.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

**(e) Intangibles and amortisation**

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(f) Financial instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.





**Classification and subsequent measurement**

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

(d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Company does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**(i)** Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

The Company did not hold financial assets at fair value through profit or loss either in the current or comparative financial years.

**(ii)** Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost .

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which are classified as non-current assets.

**(iii)** Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which are classified as current assets.

If during the period the Company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

The Company did not hold any held-to-maturity investments in the current or comparative financial year.

**(iv)** Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which are classified as current assets.

**(v)** Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities except for those where the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, which are classified as non-current liabilities.

**Impairment**

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss. However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of comprehensive income.





**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

When available-for-sale investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

**(g) Impairment of non-financial assets**

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment includes considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Value in use is calculated by discounting the estimated future cash flows of the asset or cash-generating unit (CGU) at a pre-tax discount rate reflecting the specific risks in the asset or CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of goodwill to nil and then to the other assets in the unit in proportion to their carrying amount. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

Assets, other than goodwill, that have an allocated impairment loss are reviewed for reversal indicators at the end of each reporting period. After recognition of an impairment loss the amortisation charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Impairment losses are recognised as an expense immediately, unless the relevant asset is property, plant and equipment held at fair value (other than investment property carried at a revalued amount) in which case the impairment loss is treated as a revaluation decrease as described in the accounting policy for property, plant and equipment.

**(h) Trade and other payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid.

**(i) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

**(j) Income tax**

The Company is a member of the Hepburn Wind Park Co-operative Ltd income tax consolidated group. All members of the income tax consolidated group are taxed as a single entity.

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Each entity in the income tax consolidated group reports its contribution to the income tax expense (income) of the consolidated group. Tax losses incurred by members of the income tax consolidated group are applied to reduce any tax payable by the other entities in the income tax group prior to giving rise to deferred tax assets.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period.

Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting year. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

**(k) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.





Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(l) Revenue and other income**

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Leonards Hill Wind Operations Pty Ltd's activities as discussed below.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

**Sale of goods**

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

**Provision of services**

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

**(m) Borrowing costs**

Borrowing costs are recorded as intangible assets and amortised over the lives of the related borrowings.

**(n) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

**(o) Going concern**

Notwithstanding the Company's deficiency in net assets, the financial report has been prepared on the going concern basis. Included as a liability of the company at 30 June 2016 is a loan payable to its parent entity, Hepburn Wind Park Co-operative Ltd, of $8,778,356 (2015: $8,871,571). This loan, which has been provided on an interest free basis, does not have any set repayment terms and would not be requested to be repaid until the company is in a position to do so. On the basis that the company continues to receive the financial support of its parent entity, the Directors are of the opinion that it is appropriate to prepare the financial statements on the going concern basis.

**(p) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**2 Change in Comparative Figures**

In September 2016 the Company was contacted by Powercor Australia who advised that the Company is eligible retrospectively for transmission use of system (TUOS) rebates to embedded generators registered with AEMO in accordance with clause 5.5(h) of the National Electricity Rules. The Company is eligible for total TUOS rebates of $96,205 plus GST owing for the financial years ended 30 June 2011 through 30 June 2015. The comparative figures in the financial statements have been changed to reflect the additional income of the Company.

The aggregate effect of the change on the annual financial statements for the year ended 30 June 2015 is as follows:

| | Previously stated | 2015 Adjustment | Restated |
|---|---|---|---|
| | $ | $ | $ |
| **Consolidated** | | | |
| **Statement of Comprehensive Income (extract)** | | | |
| Transmission use of system income | - | 7,345 | 7,345 |
| **Statement of Financial Position (extract)** | | | |
| Trade receivables and accrued income | 91,542 | 105,824 | 197,366 |
| GST payable | 31,338 | 9,620 | 40,958 |
| **Statement of Changes in Equity (extract)** | | | |
| Opening accumulated losses | (487,457) | 88,859 | (398,598) |





# Notes to the Financial Statements
## For the Year Ended 30 June 2016

**3 Revenue and Other Income**

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| **Operating revenue** | | |
| Electricity | **417,863** | 316,364 |
| Large-scale Generation Certificates | **743,673** | 429,612 |
| Transmission use of system income | **19,347** | 7,345 |
| Movement in inventory of Large-scale Generation Certificates | **(29,516)** | (21,074) |
| | **1,151,367** | 732,247 |
| **Other revenue** | | |
| Interest income | **463** | 2,270 |
| | **1,151,830** | 734,517 |

**4 Operating expenses**

| | 2016 | 2015 |
|---|---|---|
| (a) Administration expenses | | |
| Accounting fees | **5,490** | 6,400 |
| Audit fees | **2,475** | 2,375 |
| Bank charges | **6,719** | 7,548 |
| Bookkeeping | **4,900** | 5,200 |
| CFO expenses | **625** | - |
| Legal services | - | 415 |
| Office supplies & information technology | **620** | 185 |
| Secretarial fees | **246** | 243 |
| | **21,075** | 22,366 |
| (b) Travel and accommodation | | |
| Travel | - | 300 |
| | - | 300 |
| (c) Personnel expenses | | |
| Wages, salaries and contractors | - | 24,909 |
| Staff training | - | 1,050 |
| | - | 25,959 |
| (d) Depreciation and amortisation | | |
| Amortisation | - | 1,016 |
| Depreciation | **458,738** | 455,536 |
| | **458,738** | 456,552 |

## Notes to the Financial Statements
### For the Year Ended 30 June 2016

**4 Operating expenses**

(e) Interest

| | 2016 $ | 2015 $ |
|---|---|---|
| Interest paid | **55,656** | 77,893 |
| | **55,656** | 77,893 |

| | 2016 $ | 2015 $ |
|---|---|---|
| (f) Other operating expenses | | |
| Insurance | **16,979** | 24,002 |
| Licence fees | **225** | 1,225 |
| Loss on disposal of fixed assets | **-** | 1,613 |
| Office rent | **1,920** | 2,120 |
| Municipal payment in lieu of rates | **15,599** | 24,246 |
| Wind farm rent | **24,811** | 24,442 |
| Wind farm operations | **147,486** | 157,696 |
| | **207,020** | 235,344 |

**5 Income Tax Expense**

(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

| | 2016 $ | 2015 $ |
|---|---|---|
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%) | **122,802** | (25,169) |
| Add tax effect of: | | |
| - Tax losses not brought to account | **35,034** | 298,443 |
| Less tax effect of: | | |
| - Timing differences | **(157,836)** | (273,274) |
| Income tax expense | **-** | - |

(b) Tax assets are not recognised until it is probable that future profit will be available against which the benefits of the deferred tax asset can be utilised.

| | 2016 $ | 2015 $ |
|---|---|---|
| Deferred tax assets that have not been recorded in the financial statements are comprised as follows: | | |
| Tax losses | **1,881,052** | 1,846,019 |
| | **1,881,052** | 1,846,019 |

**6 Cash and Cash Equivalents**

| | 2016 $ | 2015 $ |
|---|---|---|
| Operating accounts | **127,751** | 134,081 |
| | **127,751** | 134,081 |





## Notes to the Financial Statements
### For the Year Ended 30 June 2016

**7 Trade and Other Receivables**

| | 2016 $ | 2015 $ |
|---|---|---|
| Trade receivables and accrued income | **361,345** | 197,366 |
| Prepayments | **17,645** | - |
| Other receivables | **-** | 12 |
| | **378,990** | 197,378 |

**8 Inventories**

| | 2016 $ | 2015 $ |
|---|---|---|
| Large-scale Generation Certificates | **12,143** | 41,659 |
| | **12,143** | 41,659 |

**9 Property, Plant and Equipment**

| | 2016 $ | 2015 $ |
|---|---|---|
| PLANT AND GRID CONNECTION | | |
| Wind Farm Development | | |
| At cost | **180,988** | 180,988 |
| Accumulated depreciation | **(16,934)** | (9,675) |
| | **164,054** | 171,313 |
| Wind Farm Construction | | |
| At cost | **11,154,801** | 11,114,484 |
| Accumulated depreciation | **(2,469,857)** | (2,024,333) |
| | **8,684,944** | 9,090,151 |
| Wind Farm Compliance | | |
| At cost | **127,370** | 127,370 |
| Accumulated depreciation | **(24,525)** | (19,413) |
| | **102,845** | 107,957 |
| Wind Farm Project Management | | |
| At cost | **18,512** | 18,512 |
| Accumulated depreciation | **(3,682)** | (2,939) |
| | **14,830** | 15,573 |
| OFFICE EQUIPMENT | | |
| Computer Equipment | | |
| At cost | **803** | 803 |
| Accumulated depreciation | **(752)** | (652) |
| Total office equipment | **51** | 151 |
| | **8,966,724** | 9,385,145 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

### 9 Property, Plant and Equipment

#### (a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Wind Farm Development | Wind Farm Construction | Wind Farm Compliance | Wind Farm Project Management | Office Equipment | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Balance at the beginning of year | 171,313 | 9,090,151 | 107,957 | 15,573 | 151 | 9,385,145 |
| Additions | - | 40,317 | - | - | - | 40,317 |
| Depreciation expense | (7,259) | (445,524) | (5,112) | (743) | (100) | (458,738) |
| **Balance at 30 June 2016** | 164,054 | 8,684,944 | 102,845 | 14,830 | 51 | 8,966,724 |

### 10 Trade and Other Payables

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| Trade payables | **44,519** | 28,320 |
| Accrued expenses | **6,203** | - |
| GST payable | **43,318** | 40,958 |
| Other payables | **111** | - |
| | **94,151** | 69,278 |

### 11 Borrowings

| | 2016 | 2015 |
|---|---|---|
| **Loan from related entities:** | | |
| Hepburn Community Wind Park Co-operative Ltd | **8,778,356** | 8,871,571 |
| **Bank loans:** | | |
| Bendigo Bank | **686,235** | 1,299,889 |
| | **9,464,591** | 10,171,460 |

The limit of the bank loan facility from the Bendigo and Adelaide Bank Limited was reduced by agreement during the year from $2,504,858 to $1,500,000 at 30 June 2016.

The Bendigo and Adelaide Bank Limited holds the following securities in relation to the bank loan:
- Registered Mortgage Debenture over Leonards Hill Wind Operations Pty Ltd.
- Unlimited Guarantee and Indemnity from Hepburn Community Wind Park Co-operative Ltd and Embark Australia Ltd.
- Mortgage of Lease incorporating right of access over property situated at Leonards Hill, Victoria in the name of Leonards Hill Wind Operations Pty Ltd.
- Registered Charge over Hepburn Community Wind Park Co-operative Ltd.





# Notes to the Financial Statements
## For the Year Ended 30 June 2016

### 12 Issued Capital

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| 20 ordinary shares (2015: 20) | **20** | 20 |
| | **20** | 20 |

### 13 Contingent Assets & Liabilities

The company did not have any contingent assets or liabilities at 30 June 2016.

### 14 Cash Flow Information

Reconciliation of operating loss to net cash provided by operating activities:

| | 2016 | 2015 |
|---|---|---|
| Profit/(Loss) for the year | **409,341** | (83,897) |
| Non-cash flows in profit: | | |
| Depreciation and amortisation | **458,738** | 456,552 |
| Loss on disposal of property, plant and equipment | **-** | 1,613 |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| (Increase)/decrease in trade and other receivables | **(175,006)** | 18,375 |
| Decrease in inventories | **29,516** | 21,074 |
| Increase in related party loans | **7,046** | 39,712 |
| Increase/(decrease) in trade and other payables | **18,267** | 45,108 |
| Cashflow from operations | **747,902** | 498,537 |

### 15 Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank loans and overdrafts and loans to and from related parties.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | 2016 | 2015 |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | **127,751** | 134,081 |
| Trade and other receivables | **378,990** | 197,378 |
| **Total financial assets** | **506,741** | 331,459 |
| **Financial Liabilities** | | |
| Trade and other payables | **94,151** | 69,278 |
| Borrowings | **9,464,591** | 10,171,460 |
| **Total financial liabilities** | **9,558,742** | 10,240,738 |

# Notes to the Financial Statements
## For the Year Ended 30 June 2016

**16 Key Management Personnel Compensation**

The Company paid management fees in the prior year totalling $24,909 to its parent entity to reimburse the parent entity for remuneration paid to key management personnel of the Company during the year. The Company did not pay management fees in the 2016 financial year.

**17 Related Party Transactions**

The Company's main related parties are as follows:

**Shareholder**

Hepburn Community Wind Park Co-operative Ltd holds 100% of the shares in the company.

**Related entities**

*Key management personnel*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 15: Key Management Personnel Compensation.

*Other related parties*

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

**Transactions with related parties**

*Loans to/from related parties*

Unsecured loans have been received from Hepburn Community Wind Park Co-operative Ltd. The amount owing at the balance date is disclosed in Note 10. No repayment terms have been set for the loan from Hepburn Community Wind Park Co-operative Ltd, which has been provided on an interest free basis.

**17 Company Details**

The registered office of and principal place of business of the Company is:

Leonards Hill Wind Operations Pty Ltd
13 Knox Street
Daylesford Victoria 3460





# Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 22, are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards - Reduced Disclosure Requirements; and

   b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Company.

2. After considering the information contained in Note 1(o) Going Concern, in the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: ....................................................... David Perry

Director: ....................................................... Graham White

Dated 7 October 2016

PPT
AUDIT

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**Fax** (03) 5331 7980

**Leonards Hill Wind Operations Pty Ltd**
**ABN 86 141 239 894**

## Independent Audit Report to the members of Leonards Hill Wind Operations Pty Ltd

We have audited the accompanying financial report of Leonards Hill Wind Operations Pty Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Leonards Hill Wind Operations Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.





PPT
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**Leonards Hill Wind Operations Pty Ltd**
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## Independent Audit Report to the members of Leonards Hill Wind Operations Pty Ltd

*Opinion*

In our opinion the financial report of Leonards Hill Wind Operations Pty Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations)and the *Corporations Regulations 2001*.

*Inherent uncertainty regarding Going Concern*

Without qualification to the opinion expressed above, we draw attention to Note 1(o) Going Concern. Notwithstanding the Company's deficiency in net assets, the financial report has been prepared on the going concern basis. Included as a liability of the Company at 30 June 2016 is a loan payable to its parent entity, Hepburn Wind Park Co-operative Ltd, of $8,778,356 (2015: $8,871,571). This loan, which has been provided on an interest free basis, does not have any set repayment terms and would not be requested to be repaid until the company is in a position to do so. On the basis that the Company continues to receive the financial support of its parent entity, the Directors are of the opinion that it is appropriate to prepare the financial statements on the going concern basis.

PPT Audit Pty Ltd
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PPT Audit Pty Ltd

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Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat, VIC 3350

Dated 7 October 2016

Liability limited by a scheme approved under Professional Standards Legislation.