Generating Results

Hepburn Wind
Annual Report 2018

Generating Results

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.

Hepburn Wind is located at Leonards Hill, about 100km north-west of Melbourne, just south of Daylesford Victoria. The 4.1MW wind farm hosts two turbines, called Gale and Gusto, which produce enough clean energy to power 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 allowed the venture to flourish – inspiring similar projects to explore the community enterprise model for renewable energy projects.

Contents

A message from the board

Dear fellow Hepburn Wind members,

During the financial year the health of our co-operative continued to improve. In May we fully paid off our bank loan and by the end of June we had almost eliminated our accumulated losses. With a considerable and growing cash reserve and no debt, we were unequivocally solvent at the end of 2017/2018 financial year and will now start paying income tax and accumulating franking credits in the coming financial year. All this is the background to the rule change being put to the Annual General Meeting this November, giving the board the power to declare an interim dividend when it is prudent to do so.

The early focus of the board has been the integration of the four new directors who joined the board at the last Annual General Meeting. The organisation, mid this year embarked on a process with two aims - to produce a business plan based on strategic objectives bearing in mind identified opportunities, threats and risks; and to strengthen our co-operative's governance. This process, followed by implementation and monitoring, will continue into the coming financial year and beyond.

Around 97% of our co-operative's revenue comes from our generation of wind power - which regrettably subjects us to the vagaries of politics at both federal and state levels. So whilst our co-operative's finances have improved during the 12 months, with state and federal elections both due to occur in the coming year, the political outlook in this period is unpredictable and so is the future of governmental commitment to renewable energy in general and community energy in particular. This fact has been, and continues to be, foremost as we strive to take Hepburn Wind successfully into the future by achieving sustainable financial, environmental and social benefits for our members and our local community.

Every decision made by the board places your interests and opinions front and centre. The board is considerate of, and will take seriously, your suggestions and concerns. Please feel free to communicate them to us by emailing board@hepburnwind.com.au. We are listening.

Performance highlights

Accumulated losses paid down from $660,376 to $97,177

54% reduction in unscheduled outages

Generation income up 28%

'All-in' price of $169.45 up 14%

Best for the World B Corp list recognition

26kW / 6 solar systems delivered on community buildings

	FY2018	FY2017	Variance	Variance %
Revenue and income				
Electricity Sales	$917,358	$617,990	$299,368	48%
Renewable energy certificate sales	$834,475	$625,015	$209,460	34%
Movement in LGC's on hand	$11,275	$132,793	($121,518)	-92%
Combined generation income	$1,763,108	$1,375,798	$387,310	28%
Co-marketed product revenue	$5,145	$16,137	($10,992)	-68%
Other revenue	$39,132	$27,634	$11,498	42%
Market value				
Electricity generated (per MWh)	$81.70	$59.67	$22.03	37%
Certificates created	$82.67	$85.46	($2.79)	-3%
All-in value	$165.49	$145.13	$20.36	14%
Outgoings				
Operating expenses	$ 535,260	$ 518,491	$ 16,769	3%
Community fund, sponsorships and local benefits (1)	$ 31,650	$ 46,998	-$ 15,348	-33%
Finance expenses	$ 2,374	$ 15,778	-$ 13,404	-85%
Total outgoings excluding depreciation and provisions	$ 569,284	$ 581,267	-$ 11,983	-2%
Financial performance				
Group EBITDA	$1,244,398	$875,446	$368,952	42%
EBITDA cents per share	12.50	8.77	3.73	43%
Group earnings before depreciation (2)	$1,242,024	$859,668	$382,356	44%
Depreciation	$463,005	$459,662	$3,343	1%
Net profit before tax	$779,019	$400,006	$379,013	95%
Income tax expense/(benefit)	$215,829	($234,074)	$449,903	-192%
Net profit after tax	$563,190	$634,080	($70,890)	-11%
Loan outstanding	$1	$88,208	($88,207)	-100%
Operations				
Wind farm availability (3)	95.7%	94.5%	1.2%	1%
Wind farm unscheduled outage (hours)	169	365	(196)	-54%
Wind speed average both turbines (m/s)	7.0	6.8	0.2	3%
Wind farm generation (MWh)	10,864	9,710	1,154	12%
Capacity factor	29.2%	27.5%	1.7%	6%

Footnotes

1. Community fund in the statutory accounts includes movement in provision for community grants of -$3923 (2017: -19,874) and excludes community fund asset purchases of $nil (2017: $12,800). Includes contribution from Meridian Powershop, 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.

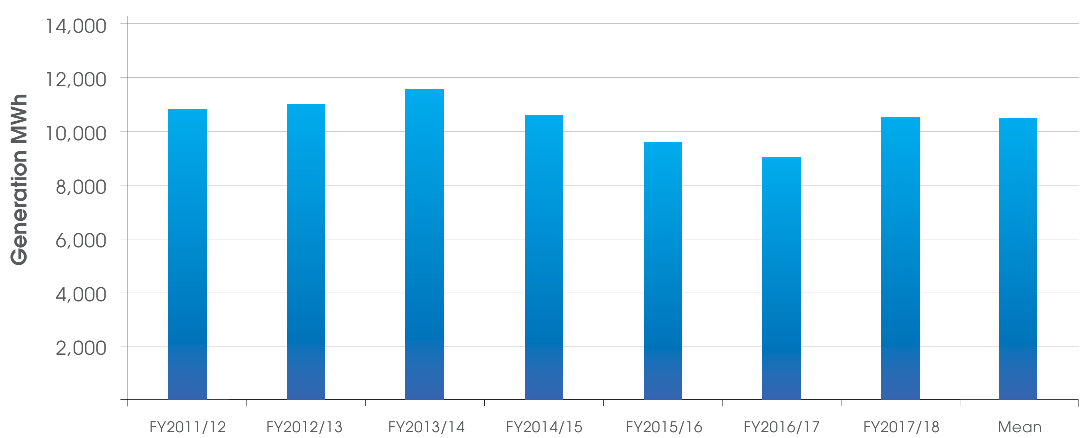
Our Performance

Operations

The final generation figure of 10,864MWh up 12% from 2017, was a pleasing result given the significant outages and maintenance works that occurred throughout the year. The combined capacity factor rose 6% to 29.2% for Gale and Gusto. A major area of improvement this year was the total duration of unscheduled wind farm outages of 169 hours, a reduction of 54% from last year. The wind farm is prone to regular network outages as a result of disturbances and fragility of the local distribution network.

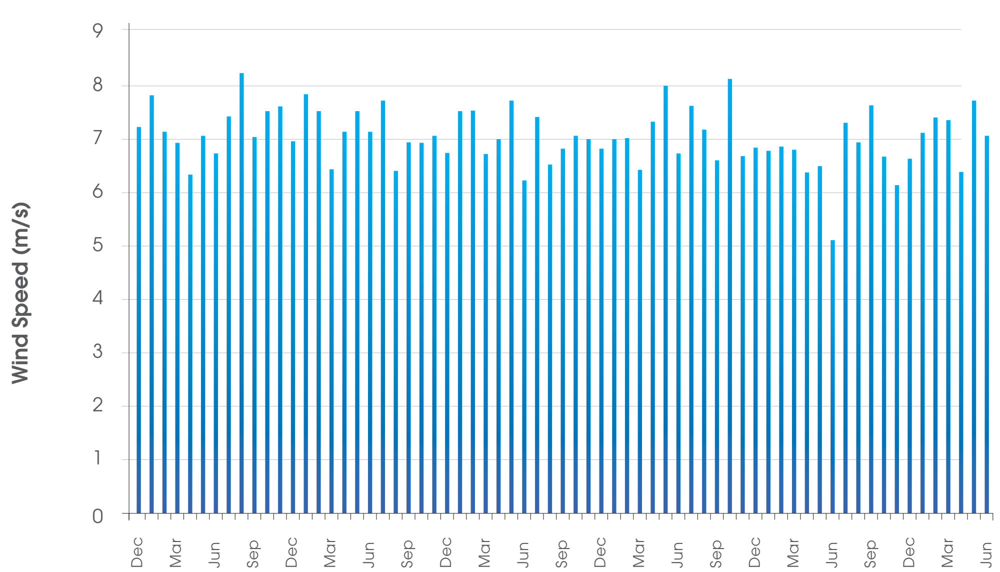
The annual generation since operations commenced in June 2011 can be viewed in the chart below.

Annual Generation MWh



The wind resource also increased by 3% this year, up to 7 metres per second across both turbines. The monthly average wind speed can be viewed in the chart below.

Monthly Mean Wind Speeds - m/s



There were two rounds of annual maintenance, inclusive of one carried over from last year and comprehensive maintenance on the wind farm's balance of plant equipment. Meridian have overseen a range of proactive maintenance activities on site to ensure the wind farm is in good health.

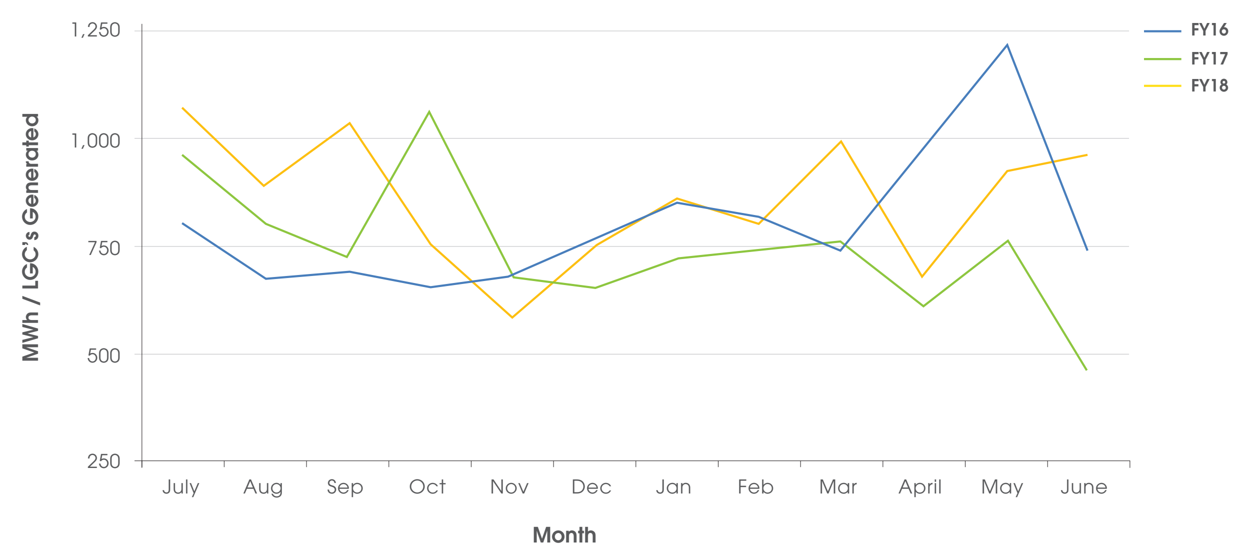
In regards to down time, Gale was curtailed to 1.2MW (from 2.05MW) for six days in April while awaiting a replacement generator part. Both turbines were stopped for five days in May after the discovery of damage to one of the high voltage bushings on Gale's transformer kiosk (electrical apparatus that steps up the voltage of the electricity). A busbar failure (encased copper conductor which carries the electricity from the turbine nacelle down to ground level) on Gusto in July resulted in an outage of 40 hours. There was a frequency converter (device that converts the frequency of alternating current) fault on Gale in August resulting in a 24 hour outage. Gale required replacement gearbox high speed shaft bearings in October following a review of routine oil samples and an endoscope inspection resulting in a 35 hour outage.

There were also regular wind farm outages at the request of Powercor to facilitate works on the local network. However, two of the key improvements outlined in the 2017 Annual Report, the STATCOM repairs and the auto reconnect have continued to greatly reduce wind farm outage periods to maximise generation. The efficient manner in which all of these works were completed is a reflection of the great care given to the wind farm by our contractors (namely Senvion Australia and Laser Electrical Ballarat) under the supervision of Meridian Energy Australia.

There were four on site occupational health and safety events this year. Two were small injury incidents, another was a hazard incident and the fourth a near miss. One neighbourhood complaint was recorded this year. The noise complaint was investigated and analysis undertaken, the complainant was referred to the National Wind Farm Commissioner.

The following graph represents the annual generation of the wind farm.

Generation (MWh/LGC's)

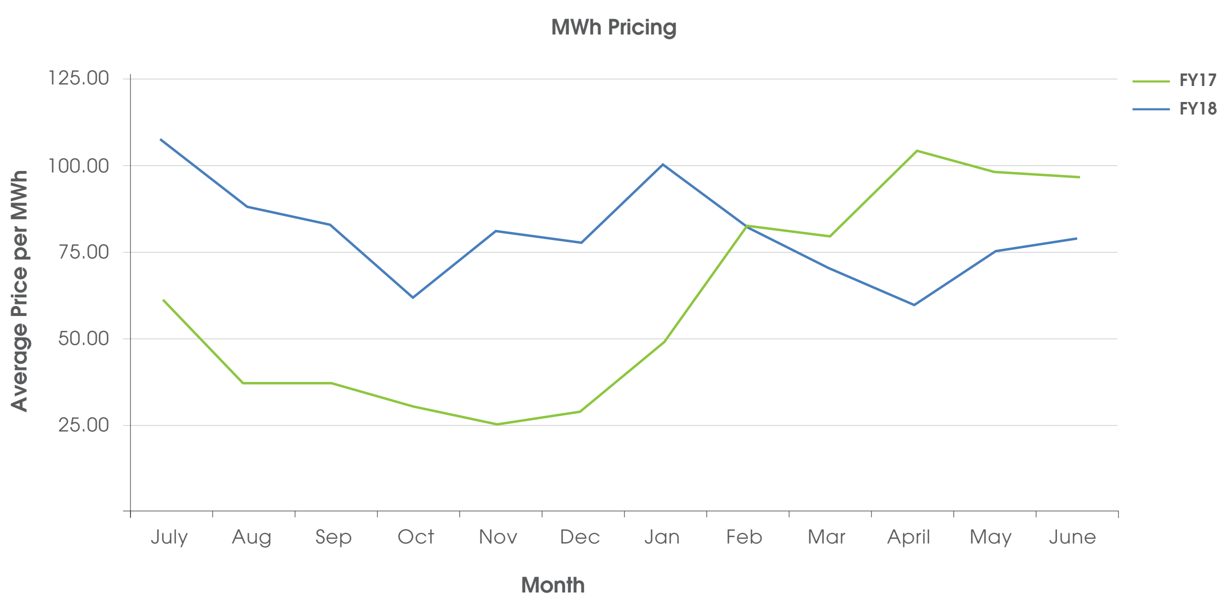


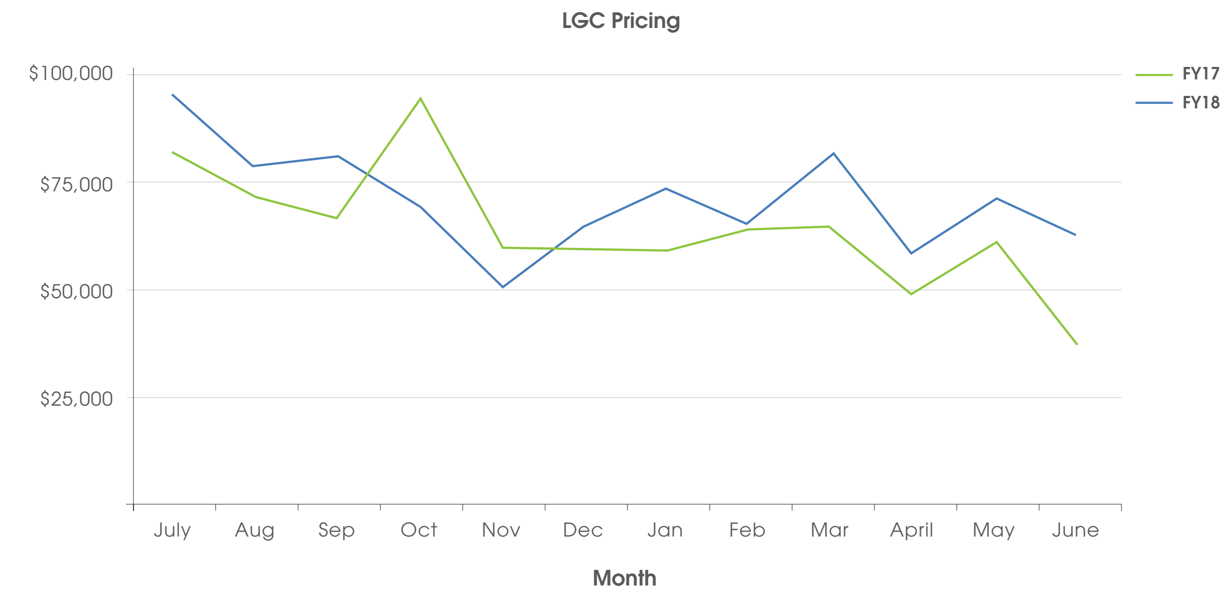
Our Performance

Expenses, debt management and accumulated losses

With the continued positive income, the level of consolidated accumulated losses reduced from $660,367 to only $97,177 by the end of the financial year. Retained earnings over the coming financial year are expected to place the co-operative in a position where it will be required to begin paying company tax. This will make it possible, subject to the directors continuing to ensure that a prudent approach is taken to ensuring the financial success in the future, for the board to recommend the payment of a dividend in the near future.

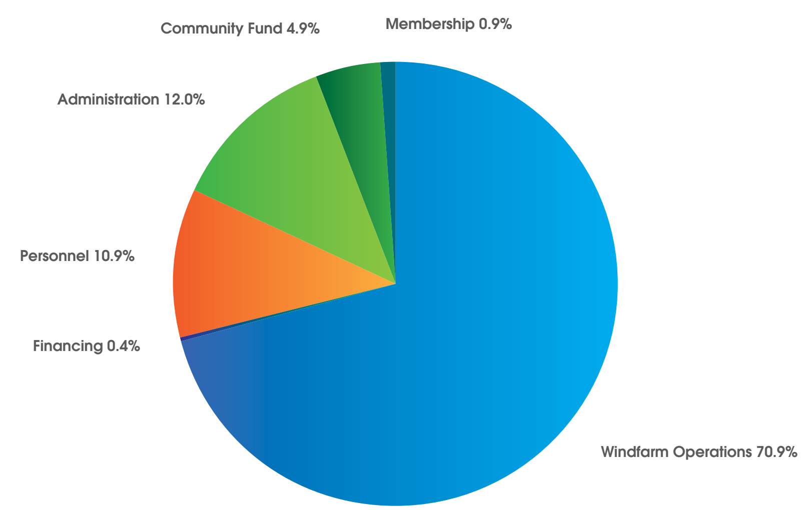
Due to stable operations of the wind farm, generation rebounded this year – after the previous year's low level – up 15% compared to the previous financial year and electricity and renewable energy certificate (large generation certificates / LGC) prices remained high throughout the year due to political drivers. Whilst it is unfortunate that this has resulted in high electricity prices for consumers, there has been a substantial benefit for the co-operative in regard to recouping losses. The average electricity price was $81.70 per MWh up a further 37% on the previous year; and the average LGC price was steady at $82.67 a fall of only 3% compared to the prior year. This resulted in an all-in price of $165.49, up 14% on the previous financial year, an increase in total income of 28% to $1,763,108. The comparison of 2017 and 2018 in regards to LGC and electricity prices can be seen in the charts below.





Administrative expenses were down by $3,818 with the main changes being additional accounting work (including consultancy) resulting in accounting expenses being up $7,490. This was partially offset by a reduction in the management accounting expense down $3,625; reductions in bookkeeping expenses down $1,799; legal expenses down $4,500; share registry services down $1,929 but office supplies and IT up $1,628 together with other smaller changes. Personnel expenses increased by $18,587 mainly as a result of increased wages and salaries up $9,566 with associated superannuation expense similarly up $1,022 together with an increase in the liability for employee entitlements up $7,995.

The breakdown of total expenses can be seen in the chart below.

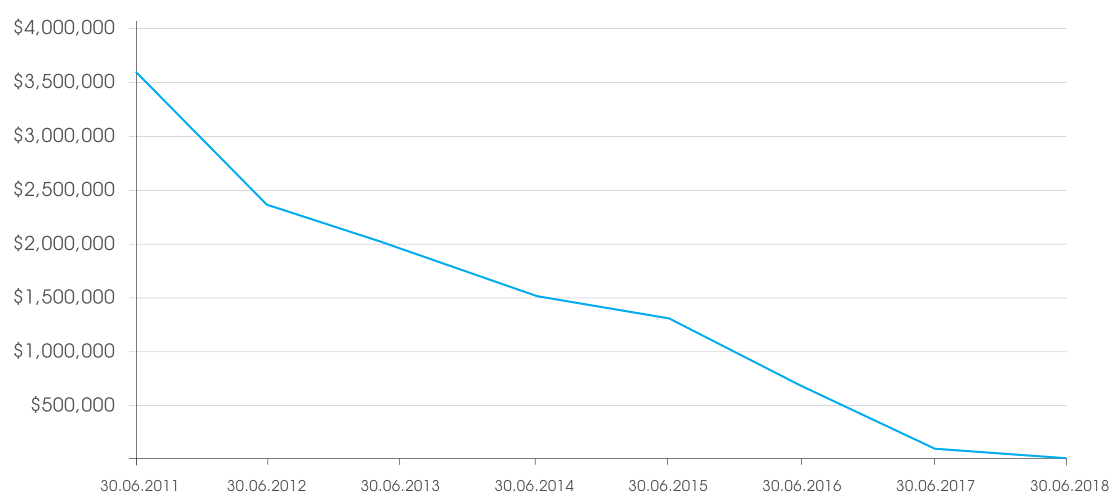


Finance costs were down $13,404 consistent with the loan having been paid down to $1 during the year. The loan facility will remain available in case of a major component failure. The historic paydown can be seen in the chart below, importantly occuring far faster than the 15 year loan term.

Operating expenses remained steady, up $10,480 with the main changes being the insurance expenses up $5,046 and wind farm operations up $4,930. Following the income tax benefit received in 2017 as a result of the first-time adoption of future income tax, the tax position has normalised in the current year with income tax expense of $215,829 reflective of the profit earned in the year.

Due to the co-operative having generated surplus cash over the previous financial year, an optional capital return for members in the form of a repurchase of shares (share buyback) was implemented. This capital return was not a dividend, but a means of enabling cooperative members to reduce their shareholding and be repaid a portion of their initial investment. A total of $32,040 was repaid to members who subscribed to the share buyback offer.

Loan paydown from 2011 - 2018



Our future: solar farm development

To ensure the future and resilience of the co-operative, the Future Generation Working Group was established by the board of Hepburn Wind at the end of last year. During this financial year, the working group has been investigating the potential for a co-located grid-connected solar farm at Hepburn Wind, following the findings of our membership survey conducted last year, which showed clear support and preference for solar. The Future Generation Working Group consists of staff, board members and member experts drawn from the co-operative's membership base. The team are working towards completing the planning permit application for a solar farm between 3-4MW. This solar farm would maximise use of the existing grid infrastructure at the site and enhance the economies of scale for the co-operative.

The solar monitoring station supplied by Fulcrum 3D Pty Ltd and installed and commissioned at the Hepburn Wind site in April 2017 has now completed 12 months measurement of the solar insolation. This data contributed to assessment of the commercial viability of a solar farm. The station operated successfully until mid-November when uninterrupted data logging stopped due to low battery voltage. A new solar PV panel and battery charge controller were installed in January. The monitoring unit has operated with no data loss since.

To undertake the various technical studies and planning permit documentation, significant discount or pro-bono services have been provided by Fulcrum 3D, Enhar Consulting, DNV GL, Engineers Without Borders, The Alternative Technology Association, Ecology and Heritage Partners, University of Melbourne, Nilsson, and Noel & Holmes Surveyors Pty Ltd. These providers have saved the co-operative around $100,000 in development costs and enabled the working group to work through the feasibility assessment phase with minimal financial impact to members.

Our stakeholders

Engaging with our membership

The AGM was held on Friday 10 November, 2017 at the Daylesford Town Hall with over 80 members present. Community Manager Taryn Lane, presented as the keynote speaker discussing findings from her Churchill Fellowship investigating 100% renewable energy villages in Europe. Hepburn Shire CEO, Aaron Van Edgmond, discussed how Hepburn Wind and the Council will be working together on a zero-net energy strategy for the shire.

Performance highlights included; strong financial performance despite reduced wind yields, successful debt paydown, feedback on the capital return for members and discussion on future generation projects.

This financial year the co-operative changed share registry providers from Security Transfer Australia to Link Market Services Limited. All members should register any contact detail updates with Link if they have not done so already.

The arrangement with Share Connect, the vendor transfer site we helped to established has been functioning well. Nine members were able to sell their shares via the platform once it opened in November. An additional eight new members purchased shares directly from the co-operative.

Link Market Services Limited
www.linkmarketservices.com.au

Engaging with our community

As a proud B Corp, Hepburn Wind was recognized among the Best for the World list administered by the nonprofit B Lab. This comprehensive and independent assessment shines a spotlight on companies and cooperatives that are creating positive community, environmental and social outcomes.

The co-operative was included in three categories, the best for Community, Environment and Overall. These lists are composed of the top 10% in the world of Certified B Corporations and all those included have been judged based on the outcome of the B Impact Assessment. The full assessment measures a company's impact on its workers, community, customers and the environment.

In March Sustainability Victoria's Take2 program launched the Z-NET Community Transition Pilot for the Hepburn Shire. This Pilot looks to put the Hepburn Shire on a pathway to zero-net emissions. Hepburn Wind has been a key partner in this project and assisted in community liaison activities, promotions and event management.

In April and June Hepburn Wind coordinated a series of Solar & Z-NET events which brought together the Hepburn Solar Bulk-Buy and Z-NET Community Transition Pilot. These events were held in Trentham, Creswick, Daylesford, Clunes and Glenlyon receiving significant attention from the local community. Around 500 community members attended these events demonstrating the appetite for residential solar and interest in the Z-NET Pilot.

In March, Hepburn Wind was part of the Melbourne Design Week event, Open State. This event brought 50 people from across Victoria to our wind farm to see the turbines and their murals. Visitors were able to stand inside the base of the turbine and also observe the murals created by the artist Ghostpatrol.

The wind farm received great media coverage this year including being one of the main focus points of a Landline episode looking into the community energy sector. The full episode can be viewed here http://www.abc.net.au/news/2018-04-07/people-power:-communities-funding-their-own-wind/9630150.

Hepburn Wind sent 15 e-news updates to our supporters list of 5,000 and nine distinct member updates.

Our social media presence continued to rise to the following numbers:

- 1,882 followers
- 3,383 followers
- 809 followers.

Community Fund

Hepburn Wind's benefit sharing model, which is delivered through the Community Fund, continued its focus on community grants, the energy fund, local neighbourhood support and event sponsorship. Through the sponsorship program, the Daylesford New Year Parade, Words in Winter and the Clunes Book Town Festival were all supported.

The Infrastructure and Neighbourhood Support Programme was delivered to the Leonards Hill Country Fire Authority, Korweinguboora Recreation Reserve and the Leonards Hill Hall, in the form of annual cash payments.

The community grants program has now funded 60 local projects in the past 7 years, worth $115,230 in total.

This year eight projects were funded in Round VI:

Sprung Circus
Gymnastic equipment for their new venue in Daylesford Secondary College.

Daylesford Primary School
Building a Reconciliation Garden with Dja Dja Wurrung community and elders.

Plastic Bag Free Daylesford
Launching their campaign to stop the use of single use plastic in Daylesford.

Transition Creswick
Upgrading facilities to host a film night for important documentaries and discussions.

Ballan & District Community House
Improving the energy efficiency of the Mechanics Institute with a lighting upgrade.

Trentham and Districts Men's Shed
Building a mens shed for Trentham.

Mt Prospect Tennis
Repairing fences for their heritage listed grass courts.

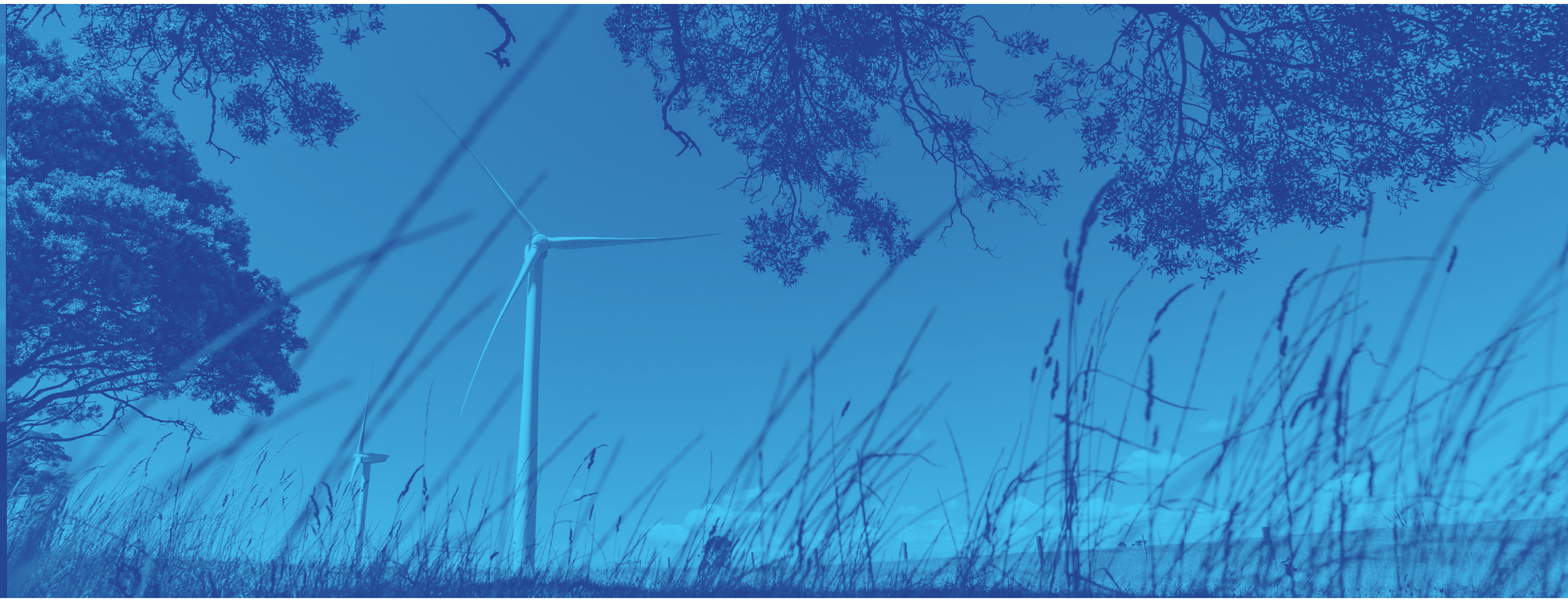
Hepburn Springs Golf Club
Supporting the installation of a cart that will help the Golf Club stop theft.

Our Energy Fund

The Hepburn Wind Energy Fund has coordinated the installation of six solar systems this year for local community buildings. These installations were co-funded with contributions from the Energy Fund, Hepburn Shire Council and Powershop's Your Community Energy initiative. The solar installations will abate over 35 tonnes of Co2 per annum and save these facilities thousands of dollars a year in electricity bills.

The six projects that were co-ordinated and funded through the Energy Fund were:

1. Korweinguboora Recreation Reserve (3.3kW)
2. Leonards Hill Hall (3.3kW)
3. Ballan & District Community Hall (6.6kW)
4. Clunes Bowling Club (6.05kw)
5. Creswick Neighbourhood Centre (3.24kW)
6. Daylesford Neighbourhood Centre (3.24kW)



Significant items subsequent to preparation of the Statutory Accounts

No significant items to be reported.

Acknowledgements

Hepburn Wind benefits greatly from our relationships with many organisations whom we gratefully thank.

We are particularly grateful to Ron and Nathalie Liversidge, Powershop, Meridian Energy, The University of Melbourne, Fulcrum3D, Westgarth Corrs, Robyn Donnelly, Enhar Consulting, DNV GL, Engineers Without Borders, The Alternative Technology Association, Ecology and Heritage Partners, Luka Kauzlaric, Share Connect, Central Victorian Greenhouse Alliance, University of Melbourne, Nilsson, Noel & Holmes Surveyors Pty Ltd, Consolidated Power Projects, Green Button Electrical & Tech Services, Senvion Australia (formerly REpower Australia), Bendigo and Adelaide Bank, Bleyer Lawyers, Powercor, Laser Electrical, PPT Accounting, Heinz & Partners Lawyers, Marsh Insurance Brokers, Clean Energy Council, Australian Wind Alliance, Yes2Renewables, Melbourne University, Coalition for Community Energy, Latitude Group and Designscope. We are also indebted to countless others who have provided advice, reduced fees or support in other ways.

01

2018 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 2018

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For the Year Ended 30 June 2018

Directors' Report
For the Year Ended 30 June 2018

Your directors present their report, together with the financial statements of the Group, being the Co-operative and its controlled entity, for the financial year ended 30 June 2018.

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	Interim Chairperson	Elected 6 November 2011 Re-elected 15 November 2014
Geoff Gedge	Director & Secretary	Elected 10 November 2017
Bronwyn Baird	Director	Elected 7 November 2015 Retired 10 November 2017
Candy Broad	Director	Elected 23 November 2013 Re-elected 11 November 2016 Retired 10 November 2017
Linda Hancock	Director	Elected 10 November 2017
Paul Houghton	Director	Elected 10 November 2017
Stuart Read	Director	Elected 10 November 2017
Kathy Richardson	Director	Elected 7 November 2015 Retired 10 November 2017
Ross Ulman	Director	Elected 7 November 2015 Retired 13 September 2018
Mitch Watson	Director	Elected 23 March 2013 Retired 10 November 2017
Graham White	Director	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 2018, the Group employed three part time staff:
- Taryn Lane (Community Officer)
- Jessica Beavis (Administration Officer)
- Marie Lakey (Communications Assistant)

Directors' Report
For the Year Ended 30 June 2018

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.

Operating results and review of operations

The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) were $1,244,398 (2017: EBITDA of $875,446).

After allowing for significant depreciation of capital items and interest expenses the Group's result was a consolidated profit after tax for the year of $563,190 (2017: consolidated profit of $634,080).

The table below summarises the operating result of the Group.

	2018	2017
	$	$
Income	**1,807,385**	1,408,261
Expenses	**(562,987)**	(532,815)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1,244,398**	875,446
Interest	**(2,374)**	(15,778)
Operating profit before depreciation, amortisation and income tax	**1,242,024**	859,668
Depreciation and amortisation	**(463,005)**	(459,662)
Operating profit before income tax	**779,019**	400,006
Income tax (expense)/benefit	**(215,829)**	234,074
Consolidated profit for the year	**563,190**	634,080

The group made earnings before interest, taxes, depreciation and amortisation of $1,244,398 (2017: $875,446) representing earnings of 12.50 cents per share (2017: 8.77 cents per share).

The group made an operating profit before depreciation, amortisation and income tax of $1,242,024 (2017: $859,668) representing earnings of 12.48 cents per share (2017: 8.62 cents per share). During the year $88,207 (2017: $598,027) was applied against the Group's loan facility reducing the balance to $1.

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 2018 financial year.

During the 2018 financial year a voluntary repurchase of shares from the members was completed. The total value of shares repurchased from the members totalled $32,040. There is no recommendation for the repurchase of shares during the 2019 financial year.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may 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 continued to be stable and high during the financial year and continues to be back in line with the original forecasts prepared by the Group.

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.

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-perative and its controlled entities.

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 entity or intervene in any proceedings to which the Co-operative or its controlled entity is a party for the purpose of taking responsibility on behalf of the Co-operative or its controlled entity for all or any part of those proceedings.

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

Directors' Report
For the Year Ended 30 June 2018

Information on Directors

Director	Experience & Special Responsibilities	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, a global solutions-focused NGO. He is currently working as a Systems Engineer for AgTech company Observant. David and his partner live in Macedon. Interim Chairperson; Member of the Operations Committee; Health, Safety & Environment Committee and Future Generation Working Group.	Elected 6 November 2011 Re-elected 15 November 2014
Geoff Gedge	Geoff has worked in financial, property and infrastructure services for the past 20 years. He is currently the CEO and Executive Director of Columbus Equity Partners. He has a Bachelor of Law from QUT and a Masters in International Business from the University of Auckland. Geoff frequently spends his weekends in Hepburn Springs at his holiday house. Secretary and Member of the Finance & Risk Committee.	Elected 10 November 2017
Linda Hancock	Linda has had a long career working in corporate social responsibility for social and environmental sustainability. She is currently the Chief Investigator of the Australian Research Council Centre for Excellence in Electro Materials Science. Linda has worked on the board of governors of ACOSS and VCOSS and has lived in Daylesford since the 1980s. Member of the Finance & Risk Committee and Future Generation Working Group.	Elected 10 November 2017
Paul Houghton	Paul's key areas of knowledge and experience are in business development, finance and project management. Over the past 15 years, Paul has managed his own accommodation business, developing close links within the local area. Paul has lived in Daylesford for 19 years. Member of the Future Generation Working Group.	Elected 10 November 2017
Stuart Read	Stuart has developed expertise in board governance through his role as Company Secretary of Superpartners, Australia's largest industry superannuation fund. Graduating from Melbourne University with a BA and LLB he has since completed two Graduate Diploma's – in organisational dynamics and corporate governance. Stuart is a Castlemaine resident. Member of the Finance & Risk Committee; Health, Safety & Environment Committee and Future Generation Working Group	Elected 10 November 2017

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

Directors' Report
For the Year Ended 30 June 2018

Information on Directors

Director	Experience & Special Responsibilities	Elected
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 Carleton University in Ottawa and a Masters in Engineering Science (Solar) from the University of Western Australia. 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. Member of the Operations Committee and Future Generation Working Group	Elected 7 November 2015

Meetings of directors

During the financial year, 6 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	6	6
Geoff Gedge	3	3
Bronwyn Baird	3	3
Candy Broad	2	3
Linda Hancock	3	3
Paul Houghton	3	3
Stuart Read	3	3
Kathy Richardson	1	3
Ross Ulman	6	6
Mitch Watson	2	3
Graham White	6	6

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

Directors' Report
For the Year Ended 30 June 2018

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2018, 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:...
Graham White

Dated: 24 September 2018

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 2018, 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: 21 September 2018

Statement of Comprehensive Income
For the Year Ended 30 June 2018

		Consolidated		Parent	
		2018	2017	2018	2017
	Note	$	$	$	$
Revenue	2	**1,807,385**	1,408,261	**877,583**	23,707
Administrative expenses	3	**(67,794)**	(71,612)	**(40,338)**	(48,441)
Communications, public meetings & events	4	**(4,941)**	(13,421)	**(4,941)**	(13,421)
Personnel expenses	5	**(61,878)**	(43,291)	**(61,878)**	(43,291)
Depreciation & amortisation	6	**(463,005)**	(459,662)	**(1,280)**	(281)
Interest	7	**(2,374)**	(15,778)	**-**	-
Other operating expenses	8	**(400,647)**	(390,167)	**(14,304)**	(13,681)
Community contributions	9	**(27,727)**	(14,324)	**(27,727)**	(14,324)
Profit/(loss) before income tax		**779,019**	400,006	**727,115**	(109,732)
Income tax benefit/(expense)	10	**(215,829)**	234,074	**28,420**	478,312
Profit/(loss) for the year		**563,190**	634,080	**755,535**	368,580
Other comprehensive income:					
Other comprehensive income for the year, net of tax		**-**	-	**-**	-
Total comprehensive income for the year		**563,190**	634,080	**755,535**	368,580

Statement of Financial Position
As At 30 June 2018

		Consolidated		Parent	
		2018	2017	2018	2017
	Note	$	$	$	$
Assets					
Current Assets					
Cash and cash equivalents	11	**1,103,062**	404,403	**1,039,892**	259,703
Trade and other receivables	12	**246,844**	201,314	**6,631**	5,263
Inventories	13	**161,684**	150,409	**5,021**	5,111
Other financial assets	14	**385,000**	-	**385,000**	-
Total Current Assets		**1,896,590**	756,126	**1,436,544**	270,077
Total Non-Current Assets					
Investments in subsidiaries	15	**-**	-	**20**	20
Loans to related entities	16	**-**	-	**8,447,369**	8,425,372
Property, plant and equipment	17	**8,075,633**	8,523,917	**11,239**	12,519
Deferred tax assets	18	**18,245**	234,074	**20,281**	478,312
Total Non-Current Assets		**8,093,878**	8,757,991	**8,478,909**	8,916,223
Total Assets		**9,990,468**	9,514,117	**9,915,453**	9,186,300
Liabilities					
Current Liabilities					
Trade and other payables	19	**94,965**	78,574	**19,951**	31,310
Provisions	20	**28,745**	25,588	**28,745**	25,588
Total Current Liabilities		**123,710**	104,162	**48,696**	56,898
Non-Current Liabilities					
Borrowings	21	**1**	88,208	**-**	-
Total Non-Current Liabilities		**1**	88,208	**-**	-
Total Liabilities		**123,711**	192,370	**48,696**	56,898
Net Assets		**9,866,757**	9,321,747	**9,866,757**	9,129,402
Equity					
Issued capital	22	**9,963,934**	9,982,114	**9,963,934**	9,982,114
Accumulated losses		**(97,177)**	(660,367)	**(97,177)**	(852,712)
Total Equity		**9,866,757**	9,321,747	**9,866,757**	9,129,402

Statement of Changes in Equity
For the Year Ended 30 June 2018

	Consolidated			
	Members Capital	Share Premium Reserve	Accumulated Losses	Total
	$	$	$	$
2018				
Balance at 1 July 2017	**9,975,525**	**6,589**	**(660,367)**	**9,321,747**
Profit attributable to members of the consolidated entity	**-**	**-**	**563,190**	**563,190**
Shares issued during the year	**12,600**	**1,260**	**-**	**13,860**
Shares bought back during the year	**(32,040)**	**-**	**-**	**(32,040)**
Balance at 30 June 2018	**9,956,085**	**7,849**	**(97,177)**	**9,866,757**
2017				
Balance at 1 July 2016	9,970,425	6,079	(1,294,447)	8,682,057
Profit attributable to members of the consolidated entity	-	-	634,080	634,080
Shares issued during the year	5,100	510	-	5,610
Balance at 30 June 2017	9,975,525	6,589	(660,367)	9,321,747

	Parent			
	Members Capital	Share Premium Reserve	Accumulated Losses	Total
	$	$	$	$
2018				
Balance at 1 July 2017	**9,975,525**	**6,589**	**(852,712)**	**9,129,402**
Profit attributable to members of the parent entity	**-**	**-**	**755,535**	**755,535**
Shares issued during the year	**12,600**	**1,260**	**-**	**13,860**
Shares bought back during the year	**(32,040)**	**-**	**-**	**(32,040)**
Balance at 30 June 2018	**9,956,085**	**7,849**	**(97,177)**	**9,866,757**
2017				
Balance at 1 July 2016	9,970,425	6,079	(1,221,291)	8,755,213
Profit attributable to members of the parent entity	-	-	368,579	368,579
Shares issued during the year	5,100	510	-	5,610
Balance at 30 June 2017	9,975,525	6,589	(852,712)	9,129,402

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the Year Ended 30 June 2018

		Consolidated		Parent	
		2018	2017	2018	2017
	Note	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers		**1,746,712**	1,464,270	**29,824**	24,842
Payments to suppliers and employees		**(550,625)**	(607,688)	**(156,826)**	(174,548)
Interest received		**11,054**	399	**9,640**	79
Finance costs		**(2,374)**	(15,778)	**-**	-
Net cash provided by/(used in) operating activities	23	**1,204,767**	841,203	**(117,362)**	(149,627)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment		**(14,721)**	(16,854)	**-**	(12,800)
Loan repayments to related parties		**-**	-	**1,300,731**	371,800
Payment for financial assets		**(385,000)**	-	**(385,000)**	-
Net cash (used in)/provided by investing activities		**(399,721)**	(16,854)	**915,731**	359,000
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from share applications		**13,860**	5,610	**13,860**	5,610
Payments for share buy-backs		**(32,040)**	-	**(32,040)**	-
Repayment of borrowings		**(88,207)**	(598,027)	**-**	-
Net cash (used in)/provided by financing activities		**(106,387)**	(592,417)	**(18,180)**	5,610
Net increase in cash and cash equivalents held		**698,659**	231,932	**780,189**	214,983
Cash and cash equivalents at beginning of year		**404,403**	172,471	**259,703**	44,720
Cash and cash equivalents at end of financial year	11	**1,103,062**	404,403	**1,039,892**	259,703

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2018

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 29 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 Mercari Mid Point Index Spot Price 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

(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.

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

(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

(g) 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.

(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.

Notes to the Financial Statements
For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(g) Financial instruments

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

(h) Impairment of non-financial assets

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.

Notes to the Financial Statements
For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(k) Income tax

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.

Notes to the Financial Statements
For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(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

Comparative figures are consistent with prior years unless otherwise stated in the notes.

Notes to the Financial Statements
For the Year Ended 30 June 2018

	Consolidated 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
2 Revenue and Other Income				
Operating revenue				
Electricity	**887,591**	571,630	**-**	-
Large-scale Generation Certificates	**834,475**	625,015	**-**	929
Loss of generation compensation received	**-**	25,668	**-**	-
Transmission use of system income	**29,767**	20,692	**-**	-
Movement in inventory of Large-scale Generation Certificates	**11,275**	132,793	**(89)**	(362)
	1,763,108	1,375,798	**(89)**	567
Other revenue				
Dividend income	**-**	-	**836,277**	-
Event sponsorship & income	**-**	8,274	**-**	8,274
Interest income	**14,155**	399	**12,318**	79
Site tours	**91**	350	**91**	350
Other income	**1,386**	7,303	**1,386**	1,100
Community fund contributions from retailers	**5,145**	16,137	**4,100**	13,337
Other community fund contributions	**23,500**	-	**23,500**	-
	44,277	32,463	**877,672**	23,140
	1,807,385	1,408,261	**877,583**	23,707
3 Administration expenses				
Accounting fees	**21,570**	14,080	**10,785**	10,845
Audit fees	**5,250**	5,100	**2,625**	2,100
Bank charges	**1,505**	1,731	**76**	159
Bookkeeping	**7,483**	9,282	**3,676**	4,482
Legal services	**-**	4,500	**-**	4,500
Management accounting expense	**16,950**	20,575	**8,478**	10,288
Office supplies & information technology	**4,990**	3,363	**4,906**	3,335
Secretarial fees	**332**	326	**78**	77
Share registry	**9,175**	11,104	**9,175**	11,104
Website expenses	**539**	1,551	**539**	1,551
	67,794	71,612	**40,338**	48,441

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

Notes to the Financial Statements
For the Year Ended 30 June 2018

	Consolidated 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
4 Communications, public meetings & events				
Advertising	**-**	2,696	**-**	2,696
Contributions to landowner	**14**	605	**14**	605
Public events & meetings	**4,564**	10,120	**4,564**	10,120
Other communication expenses	**363**	-	**363**	-
	4,941	13,421	**4,941**	13,421
5 Personnel expenses				
Superannuation contributions	**4,624**	3,602	**4,624**	3,602
Wages, salaries & contractors	**49,970**	40,404	**49,970**	40,404
Workcover	**204**	200	**204**	200
Movement in leave provisions	**7,080**	(915)	**7,080**	(915)
	61,878	43,291	**61,878**	43,291
6 Depreciation and amortisation				
Depreciation	**463,005**	459,662	**1,280**	281
	463,005	459,662	**1,280**	281
7 Interest				
Interest paid	**2,374**	15,778	**-**	-
	2,374	15,778	**-**	-
8 Other operating expenses				
Insurance	**42,662**	37,616	**11,224**	10,037
Licence fees	**2,225**	3,036	**1,000**	1,404
Municipal payment in lieu of rates	**16,382**	15,600	**-**	-
Office rent	**4,160**	4,160	**2,080**	2,240
Wind farm rent	**25,535**	25,002	**-**	-
Wind farm operation	**309,683**	304,753	**-**	-
	400,647	390,167	**14,304**	13,681

Notes to the Financial Statements
For the Year Ended 30 June 2018

	Consolidated		Parent	
	2018	2017	2018	2017
	$	$	$	$
9 Community contributions				
Community fund grants	**9,736**	13,730	**9,736**	13,730
Energy fund	**19,014**	14,620	**19,014**	14,620
Local benefit program	**1,400**	4,448	**1,400**	4,448
Sponsorships	**1,500**	1,400	**1,500**	1,400
Provision for community fund programme	**(3,923)**	(19,874)	**(3,923)**	(19,874)
	27,727	14,324	**27,727**	14,324

10 Income Tax Expense

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

	Consolidated 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
Prima facie tax expense (benefit) on profit (loss) before income tax at 27.5% (2017: 27.5%)	**214,230**	110,002	**199,957**	(30,176)
Add tax effect of:				
- Non-deductible expenses	**2,677**	3,776	**2,677**	3,776
- Deferred tax liabilities recognised for the first time	**-**	1,828,358	**-**	-
Less tax effect of:				
- Non-taxable inter-company dividends	**-**	-	**229,976**	-
- Deferred tax assets recognised for the first time	**-**	(2,170,744)	**-**	(446,446)
- Movement in non deductible provisions	**(1,078)**	(5,466)	**(1,078)**	(5,466)
Income tax expense/(benefit)	**215,829**	(234,074)	**(28,420)**	(478,312)

Notes to the Financial Statements
For the Year Ended 30 June 2018

	Consolidated		Parent	
	2018	2017	2018	2017
	$	$	$	$
11 Cash and Cash Equivalents				
Operating accounts	**69,515**	146,047	**6,345**	1,347
Short-term bank deposits	**994,557**	250,049	**994,557**	250,049
Community fund accounts	**38,990**	8,307	**38,990**	8,307
	1,103,062	404,403	**1,039,892**	259,703
12 Trade and Other Receivables				
Trade receivables and accrued income	**208,990**	172,997	**-**	-
Other trade receivables	**261**	1,086	**261**	1,086
	209,251	174,083	**261**	1,086
Accrued interest income	**3,101**	-	**2,678**	-
GST receivable	**-**	-	**2,514**	3,077
Prepayments	**33,314**	26,131	**-**	-
Other receivables	**1,178**	1,100	**1,178**	1,100
	246,844	201,314	**6,631**	5,263
13 Inventories				
Large-scale Generation Certificates	**161,684**	150,409	**5,021**	5,111
	161,684	150,409	**5,021**	5,111
14 Other financial assets				
Bank Term Deposits	**385,000**	-	**385,000**	-
	385,000	-	**385,000**	-
15 Investments in subsidiaries				
Leonards Hill Wind Operations Pty Ltd	**-**	-	**20**	20
	-	-	**20**	20
16 Loans to related entities				
Leonards Hill Wind Operations Pty Ltd	**-**	-	**8,447,369**	8,425,372
	-	-	**8,447,369**	8,425,372

Notes to the Financial Statements
For the Year Ended 30 June 2018

	Consolidated 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
17 Property, Plant and Equipment				
Wind Farm Development, Compliance & Project Management				
At cost	**326,870**	326,870	**-**	-
Accumulated depreciation	**(71,291)**	(58,216)	**-**	-
	255,579	268,654	**-**	-
Wind Farm Construction				
At cost	**11,154,801**	11,154,801	**-**	-
Accumulated depreciation	**(3,361,933)**	(2,915,895)	**-**	-
	7,792,868	8,238,906	**-**	-
Office and other equipment				
At cost	**10,616**	4,857	**-**	-
Accumulated depreciation	**(3,631)**	(1,019)	**-**	-
	6,985	3,838	**-**	-
Future Energy Generation Projects				
At cost	**21,762**	12,800	**12,800**	12,800
Accumulated depreciation	**(1,561)**	(281)	**(1,561)**	(281)
	20,201	12,519	**11,239**	12,519
Total property, plant and equipment	**8,075,633**	8,523,917	**11,239**	12,519

(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, Compliance & Project Management $	Wind Farm Construction $	Office and other equipment $	Future Energy Generation Projects $	Total $
Balance at the beginning of year	268,654	8,238,906	3,838	12,519	8,523,917
Additions	-	-	5,759	8,962	14,721
Depreciation expense	(13,075)	(446,038)	(2,612)	(1,280)	(463,005)
Balance at 30 June 2018	255,579	7,792,868	6,985	20,201	8,075,633

	Consolidated 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
18 Tax assets and liabilities				
Deferred Tax Assets and Liabilities				
Deferred tax assets comprise:				
- Expenses not deductible until paid	**2,488**	429	**2,488**	429
- Tax losses available to set off against future taxable income	**21,620**	2,131,478	**21,620**	481,326
- Differences in accounting and tax depreciation rates	**(5,010)**	(1,897,833)	**(3,091)**	(3,443)
- Income not assessable until received	**(853)**	-	**(736)**	-
	18,245	234,074	**20,281**	478,312

(a) Unrecognised deferred tax assets

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. Deferred taxes were recognised by the Group for the first time at 30 June 2017 as it was at that time that it was first considered probable that future profits would be available against which the benfits of the deferred tax assets are able to be obtained.

	Consolidated 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
19 Trade and Other Payables				
Trade payables	**28,047**	38,958	**16,604**	29,293
Accrued expense	**-**	15,600	**-**	-
GST payable	**63,564**	21,984	**-**	-
PAYG withholding payable	**2,148**	1,236	**2,148**	1,236
Superannuation payable	**1,147**	740	**1,147**	740
Other payables	**59**	56	**52**	41
	94,965	78,574	**19,951**	31,310

Notes to the Financial Statements
For the Year Ended 30 June 2018

	Consolidated 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
20 Provisions				
Provision for annual leave	**7,900**	820	**7,900**	820
Provision for community fund programme (i)	**20,845**	24,768	**20,845**	24,768
	28,745	25,588	**28,745**	25,588

(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 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
Opening community fund balance	**24,768**	44,642	**24,768**	44,642
Contribution by Co-operative	**-**	13,863	**-**	13,863
Contributions by energy retailers	**25,100**	16,137	**25,100**	16,137
Other contributions	**2,500**	-	**2,500**	-
Site tours	**-**	100	**-**	100
Interest income	**131**	30	**131**	30
Grants to community groups	**(9,736)**	(13,730)	**(9,736)**	(13,730)
Sponsorships to community groups	**(1,500)**	(1,900)	**(1,500)**	(1,900)
Local benefit program	**(1,400)**	(3,949)	**(1,400)**	(3,949)
Energy fund	**(19,014)**	(14,620)	**(19,014)**	(14,620)
Energy fund asset purchases	**-**	(12,800)	**-**	(12,800)
Management fee	**-**	(3,000)	**-**	(3,000)
Bank charges	**(4)**	(5)	**(4)**	(5)
	20,845	24,768	**20,845**	24,768

Notes to the Financial Statements
For the Year Ended 30 June 2018

	Consolidated 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
21 Borrowings				
Bank Loans				
Bendigo and Adelaide Bank	**1**	88,208	**-**	-
	1	88,208	**-**	-

The limit of the bank loan facility from Bendigo and Adelaide Bank at 30 June 2018 was $500,000 (30 June 2017: $1,500,000).

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.
- 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.

	Consolidated 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
22 Issued Capital				
9,956,085 ordinary shares (2017: 9,975,525)	**9,956,085**	9,975,525	**9,956,085**	9,975,525
Share premium reserve	**7,849**	6,589	**7,849**	6,589
	9,963,934	9,982,114	**9,963,934**	9,982,114

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.

Notes to the Financial Statements
For the Year Ended 30 June 2018

22 Issued Capital

	Consolidated 2018 No.	Consolidated 2017 No.	Parent 2018 No.	Parent 2017 No.
(a) Ordinary shares				
At the beginning of the reporting period	**9,975,525**	9,970,425	**9,975,525**	9,970,425
Shares issued during the year	**12,600**	5,100	**12,600**	5,100
Shares bought back during the year	**(32,040)**	-	**(32,040)**	-
At the end of the reporting period	**9,956,085**	9,975,525	**9,956,085**	9,975,525

23 Cash Flow Information

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

	Consolidated 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
Profit/(loss) for the year	**563,190**	634,080	**755,535**	368,580
Non-cash flows in profit:				
Depreciation and amortisation	**463,005**	459,661	**1,280**	281
Inter-company dividends	**-**	-	**(836,277)**	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase)/decrease in trade and other receivables	**(45,530)**	182,819	**(1,931)**	2,961
(Increase)/decrease in related party loans	**-**	-	**-**	(18,816)
(Increase)/decrease in inventories	**(11,275)**	(132,793)	**90**	362
- (increase)/decrease in deferred tax receivable	**215,829**	(234,074)	**(28,420)**	(478,313)
Increase/(decrease) in trade and other payables	**16,391**	(54,101)	**(10,796)**	(10,293)
(Increase)/decrease in provision for employee entitlements	**7,080**	(915)	**7,080**	(915)
(Increase)/decrease in provision for community fund grants	**(3,923)**	(13,474)	**(3,923)**	(13,474)
Cashflow from operations	**1,204,767**	841,203	**(117,362)**	(149,627)

Notes to the Financial Statements
For the Year Ended 30 June 2018

24 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 2018 $	Consolidated 2017 $	Parent 2018 $	Parent 2017 $
Financial Assets				
Cash and cash equivalents	**1,103,062**	404,403	**1,039,892**	259,703
Trade and other receivables	**246,844**	201,314	**6,631**	5,263
Loans to related parties	**-**	-	**8,447,369**	8,425,372
Total financial assets	**1,349,906**	605,717	**9,493,892**	8,690,338
Financial Liabilities				
Trade and other payables	**94,965**	78,574	**19,951**	31,310
Borrowings	**1**	88,208	**-**	-
Total financial liabilities	**94,966**	166,782	**19,951**	31,310

25 Dividends

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

26 Contingent Liabilities

In the opinion of the Directors, the Co-operative did not have any contingent assets or liabilities at 30 June 2018.

27 Key Management Personnel Compensation

The total remuneration paid to key management personnel of the Co-operative and its controlled entities was $35,916 (2017: $34,129).

Notes to the Financial Statements
For the Year Ended 30 June 2018

28 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 27: 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.

29 Controlled Entities

	Country of Incorporation	2018 Percentage Owned (%)*	2017 Percentage Owned (%)*
Leonards Hill Wind Operations Pty Ltd	Australia	**100**	100

* Percentage of voting power is in proportion to ownership

30 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

Directors' Declaration

The directors of the Co-operative declare that:

1. The financial statements and notes, as set out on pages 8 to 30, 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 2018 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: ....
Graham White

Dated: 24 September 2018

PPT AUDIT

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Hepburn Community Wind Park Co-operative Ltd

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

Opinion

We have audited the financial report of Hepburn Community Wind Park Co-operative Ltd (the Co-operative) and its controlled entities (the Group), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Co-operative, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Responsibilities of Directors 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.

In preparing the financial report, the directors are responsible for assessing the the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

....
Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat, VIC 3350

Dated: 24 September 2018

02

2018 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 2018

Contents

For the Year Ended 30 June 2018

Directors' Report

For the Year Ended 30 June 2018

Your directors present their report on Leonards Hill Wind Operations Pty Ltd for the financial year ended 30 June 2018.

Information on directors

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

David Perry	Appointed as a director 14 November 2014
Graham White	Appointed 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 changes in the nature of the entity's activity occurred during the financial year.

Operating results and review of operations

The profit of the Company after providing for income tax amounted to $643,929 (2017: $265,501).

Dividends paid or recommended

Dividends were paid to the parent entity totalling $836,276 during the financial year.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may 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.

The market price for renewable energy certificates continued to be stable and high during the financial year and continues to be back in line with the original forecasts prepared by the Company.

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.

Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

Directors' Report
For the Year Ended 30 June 2018

Environmental issues

The Company's operations are subject to significant environmental regulations under the laws of the Commonwealth and State of Australia. Details of the Company's performance in relation to environmental regulation are as follows:

(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.

Indemnification and insurance of officers and auditors

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

Proceedings on behalf of the Co-operative

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 for the year ended 30 June 2018, in accordance with section 307C of the *Corporations Act 2001*, has been received and can be found on page 3 of the financial report.

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

Director:..
David Perry

Director:..
Graham White

Dated: 24 September 2018

PPT AUDIT

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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 2018, 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: 21 September 2018

Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

Statement of Profit or Loss & Other Comprehensive Income
For the Year Ended 30 June 2018

	Note	2018 $	2017 $
Revenue	2	**1,766,079**	1,384,555
Administrative expenses	3	**(27,459)**	(23,171)
Depreciation & amortisation	4	**(461,725)**	(459,380)
Interest	5	**(2,374)**	(15,778)
Other operating expenses	6	**(386,343)**	(376,487)
Profit before income tax		**888,178**	509,739
Income tax expense	7	**(244,249)**	(244,238)
Profit for the year		**643,929**	265,501
Other comprehensive income:			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**643,929**	265,501

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 2018

	Note	2018 $	2017 $
Assets			
Current Assets			
Cash and cash equivalents	8	**63,170**	144,699
Trade and other receivables	9	**242,727**	199,132
Inventories	10	**156,663**	145,299
Total Current Assets		**462,560**	489,130
Non-Current Assets			
Property, plant and equipment	11	**8,064,394**	8,511,397
Total Non-Current Assets		**8,064,394**	8,511,397
Total Assets		**8,526,954**	9,000,527
Liabilities			
Current Liabilities			
Trade and other payables	12	**77,528**	50,342
Total Current Liabilities		**77,528**	50,342
Non-Current Liabilities			
Borrowings	13	**8,447,370**	8,513,580
Deferred tax liabilities	14	**2,036**	244,238
Total Non-Current Liabilities		**8,449,406**	8,757,818
Total Liabilities		**8,526,934**	8,808,160
Net Assets		**20**	192,367
Equity			
Issued capital	15	**20**	20
Retained earnings		**-**	192,347
Total Equity		**20**	192,367

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2018

	Note	Ordinary Shares $	Retained Earnings $	Total $
2018				
Balance at 1 July 2017		**20**	**192,347**	**192,367**
Profit attributable to members of the parent entity		**-**	**643,929**	**643,929**
Dividends paid to the parent entity	16	**-**	**(836,276)**	**(836,276)**
Balance at 30 June 2018		**20**	**-**	**20**
2017				
Balance at 1 July 2016		20	(73,154)	(73,134)
Profit attributable to members of the parent entity		-	265,501	265,501
Balance at 30 June 2017		20	192,347	192,367

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**1,716,888**	1,439,428
Payments to suppliers and employees		**(393,797)**	(433,140)
Interest received		**1,414**	320
Interest paid		**(2,374)**	(15,778)
Net cash provided by operating activities	17	**1,322,131**	990,830
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for plant and equipment		**(14,722)**	(4,054)
Net cash used in investing activities		**(14,722)**	(4,054)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net repayments of related entity loans		**(1,300,731)**	(371,800)
Net repayments of bank loans		**(88,207)**	(598,028)
Net cash used in financing activities		**(1,388,938)**	(969,828)
Net (decrease)/increase in cash and cash equivalents held		**(81,529)**	16,948
Cash and cash equivalents at beginning of year		**144,699**	127,751
Cash and cash equivalents at end of financial year	8	**63,170**	144,699

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2018

The financial report covers Leonards Hill Wind Operations Pty Ltd as an individual entity. Leonards Hill Wind Operations Pty Ltd is a for profit proprietary Company, 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) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and 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 LGCs have been valued using the Mercari Mid Point Index Spot Price 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.

(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 2018

1 Summary of Significant Accounting Policies

(d) Property, plant and equipment

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.

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.

(e) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity 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.

1 Summary of Significant Accounting Policies

(e) Financial instruments

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.

(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.

1 Summary of Significant Accounting Policies

(e) Financial instruments

(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.

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 profit or loss & other 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.

1 Summary of Significant Accounting Policies

(f) 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 will include the consideration of external 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 / CGU. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss & other 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.

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.

(g) 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.

(h) 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, plus related on-costs.

(i) Income tax

The Company is a member of the Hepburn Community 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.

1 Summary of Significant Accounting Policies

(i) Income tax

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.

(j) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

1 Summary of Significant Accounting Policies

(k) 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.

(l) Borrowing costs

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

(m) 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.

(n) Comparative figures

Comparative figures are consistent with prior years unless otherwise stated in the notes.

Notes to the Financial Statements
For the Year Ended 30 June 2018

	2018 $	2017 $
2 Revenue and Other Income		
Operating revenue		
Electricity	**887,591**	571,629
Large-scale Generation Certificates	**834,475**	624,086
Loss of generation compensation received	**-**	25,668
Transmission use of system income	**29,767**	20,692
Movement in inventory of Large-scale Generation Certificates	**11,365**	133,156
	1,763,198	1,375,231
Other revenue		
Interest income	**1,836**	321
Commissions	**1,045**	2,800
Other income	**-**	6,203
	2,881	9,324
	1,766,079	1,384,555
3 Administration expenses		
Accounting fees	**10,785**	3,235
Audit fees	**2,625**	3,000
Bank charges	**1,429**	1,572
Bookkeeping	**3,807**	4,800
Management accounting expense	**8,475**	10,288
Office supplies & information technology	**84**	27
Secretarial fees	**254**	249
	27,459	23,171
4 Depreciation and amortisation		
Depreciation	**461,725**	459,380
	461,725	459,380
5 Interest		
Interest paid	**2,374**	15,778
	2,374	15,778

Notes to the Financial Statements
For the Year Ended 30 June 2018

	2018 $	2017 $
6 Other operating expenses		
Insurance	**31,436**	27,579
Licence fees	**1,225**	1,632
Municipal payment in lieu of rates	**16,382**	15,600
Office rent	**2,080**	1,920
Wind farm rent	**25,535**	25,002
Wind farm operation	**309,685**	304,754
	386,343	376,487

7 Income Tax Expense

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

	2018 $	2017 $
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	**244,249**	140,178
Add tax effect of deferred tax liabilities recognised for the first time	**-**	1,828,358
Less tax effect of deferred tax assets recognised for the first time	**-**	(1,724,298)
Income tax expense	**244,249**	244,238

	2018 $	2017 $
8 Cash and Cash Equivalents		
Operating accounts	**63,170**	144,699
	63,170	144,699
9 Trade and Other Receivables		
Accrued interest income	**423**	-
Trade receivables and accrued income	**208,990**	173,001
Prepayments	**33,314**	26,131
	242,727	199,132
10 Inventories		
Large-scale Generation Certificates	**156,663**	145,299
	156,663	145,299

Notes to the Financial Statements
For the Year Ended 30 June 2018

	2018 $	2017 $
11 Property, Plant and Equipment		
Wind Farm Development, Compliance & Project Management		
At cost	**326,870**	326,870
Accumulated depreciation	**(71,291)**	(58,216)
	255,579	268,654
Wind Farm Construction		
At cost	**11,154,801**	11,154,801
Accumulated depreciation	**(3,361,933)**	(2,915,895)
	7,792,868	8,238,906
Office and other equipment		
At cost	**10,616**	4,856
Accumulated depreciation	**(3,631)**	(1,019)
	6,985	3,837
Future Generation Projects		
At cost	**8,962**	-
	8,962	-
Total property, plant and equipment	**8,064,394**	8,511,397

(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, Compliance & Project Management $	Wind Farm Construction $	Office & Other Equipment $	Future Generation Projects $	Total $
Year ended 30 June 2018					
Balance at the beginning of year	268,654	8,238,906	3,837	-	8,511,397
Additions	-	-	5,760	8,962	14,722
Depreciation expense	(13,075)	(446,038)	(2,612)	-	(461,725)
Balance at the end of the year	255,579	7,792,868	6,985	8,962	8,064,394

Notes to the Financial Statements
For the Year Ended 30 June 2018

	2018 $	2017 $
12 Trade and Other Payables		
Trade payables	**11,444**	9,665
Accrued expense	**-**	15,600
GST payable	**66,078**	25,062
Other payables	**6**	15
	77,528	50,342

	2018 $	2017 $
13 Borrowings		
Loan from related entity:		
Hepburn Community Wind Park Co-operative Ltd	**8,447,369**	8,425,372
Bank loans:		
Bendigo & Adelaide Bank	**1**	88,208
	8,447,370	8,513,580

The limit of the bank loan facility from the Bendigo and Adelaide Bank Limited at 30 June 2018 was $500,000 (30 June 2017: $1,500,000).

The Bendigo and Adelaide Bank Limited holds the following security 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.
- 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.

	2018 $	2017 $
14 Tax assets and liabilities		
Deferred tax liabilities comprise:		
- Tax losses available to set off against future taxable income	**-**	(1,650,152)
- Differences in accounting and tax depreciation rates	**1,920**	1,894,390
- Income not assessable until received	**116**	-
	2,036	244,238

Notes to the Financial Statements
For the Year Ended 30 June 2018

	2018 $	2017 $
15 Issued Capital		
20 ordinary shares (2017: 20)	**20**	20
	20	20
16 Dividends		
Final ordinary dividend paid to the parent entity	**836,276**	-
	836,276	-

The dividend is paid to the parent entity who is the head entity of the income tax consolidated group of which the company is a member and, accordingly, the dividends are not franked.

17 Cash Flow Information

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

	2018 $	2017 $
Profit for the year	**643,929**	265,501
Non-cash flows in profit:		
Depreciation and amortisation	**461,725**	459,380
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(43,598)**	198,677
(Increase)/decrease in inventories	**(11,365)**	(133,155)
Increase/(decrease) in trade and other payables	**27,191**	(43,811)
Increase/(decrease) in deferred taxes payable	**244,249**	244,238
Cashflow from operations	**1,322,131**	990,830

18 Contingent Liabilities

In the opinion of the Directors, the Company did not have any contingent assets or liabilities at 30 June 2018 or 30 June 2017.

Notes to the Financial Statements
For the Year Ended 30 June 2018

19 Financial Risk Management

The Company'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:

	2018	2017
	$	$
Financial Assets		
Cash and cash equivalents	**63,170**	144,699
Trade and other receivables	**242,727**	199,132
Total financial assets	**305,897**	343,831
Financial Liabilities		
Trade and other payables	**77,528**	50,342
Borrowings	**8,447,370**	8,513,580
Total financial liabilities	**8,524,898**	8,563,922

20 Related Party Transactions

Related Parties

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.

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.

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.

20 Related Party Transactions

Transactions with related parties

Payments to related parties

The Company paid a dividend during the year to Hepburn Community Wind Park Co-operative Ltd in its capacity as shareholder of the Company. The amount of the dividend is disclosed in Note 16.

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 13. 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.

21 Company Details

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

Hepburn Community Wind Park Co-operative Ltd
13 Knox Street
Daylesford Victoria 3460

Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 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 2018 and of the performance for the year ended on that date of the Company.

2. 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: 24 September 2018

PPT AUDIT

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Leonards Hill Wind Operations Pty Ltd

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

Opinion

We have audited the accompanying financial report of Leonards Hill Wind Operations Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Co-operative, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Responsibilities of Directors 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 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.

In preparing the financial report, the directors are responsible for assessing the the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our 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: 24 September 2018