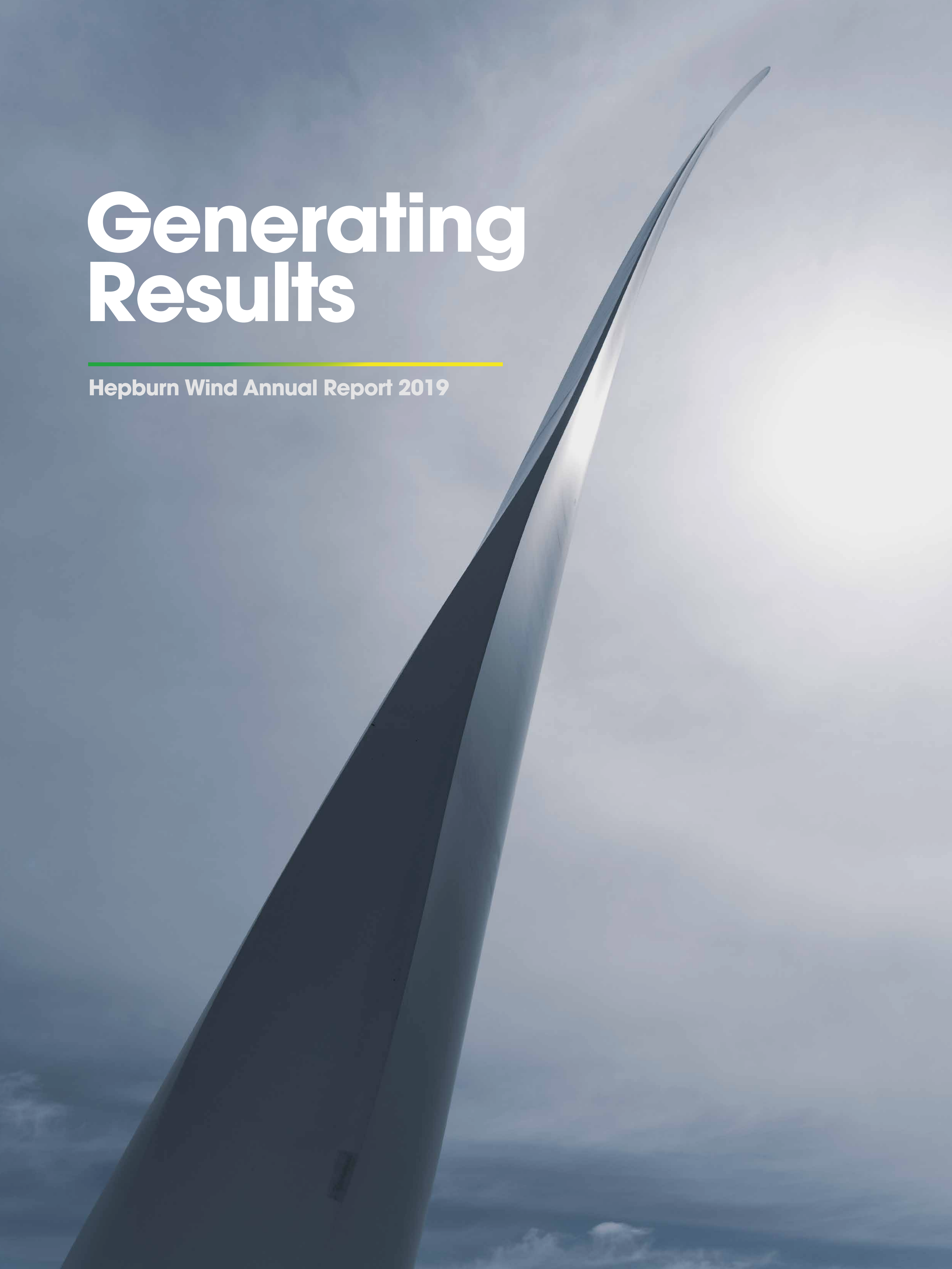


Generating Results

Hepburn Wind Annual Report 2019

Generating Results

Hepburn Wind owns and operates Australia's first community owned wind farm. We create environmental, economic and social benefits for members, neighbours and community. Together with the 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,

Despite the continued effects of the vagaries of politics foreshadowed in last year's annual report, that resulted in lower than budgeted large generation certificate (LGC) prices, our co-operative has enjoyed a successful financial year, in large part due to high electricity prices. Coupled with the ongoing focus on paying down debt and accumulated losses, this success enabled us to realise an important symbolic milestone with the delivery of our first dividend.

We thank all members for their support and patience during our first seven years of operations during which we were unable to provide a dividend.In particular we thank the 100 members who opted to reinvest their dividend into the wind farm and the 13 members who donated their dividend to the Community Fund.

Despite the financial success this year, we continue to operate in a volatile energy market, and as a result we are actively planning for further reductions in the renewable energy certificate market. As highlighted in our dividend notification, in April this year we updated our Disclosure Statement (attached at the end of this document), to include details around the causation of the falling LGC price and the associated risks to the co-operative.

A key strategy to address this risk will be ramping up our lobbying effort for a community energy feed in tariff. We will call on you, our members, to support our campaigns this year, as well as lending our support to campaigns initiated by peer organisations.

As importantly, we continue to progress the operational strategy to diversify and increase our revenue stream through our proposed solar farm development. In November 2018, we were successful in receiving a $500,000 grant from the state government for technical studies and capital costs. This grant ensures we can continue the development activities for the solar farm throughout the coming year with low risk and low cost to members and our existing cash reserves.

The other major issue relating to financial performance has been the state government's Remote Earth Fault Current Limiter (REFCL) program in response to the recommendations of the Bushfire Royal Commission. This requires us to upgrade existing assets at a significant cost. After extended lobbying we were invited to submit a hardship application for full subsidisation, which is now under consideration.

Our asset operations remain strong, thanks to the oversight of our contracted operations manager Meridian, and the co-operative's continued management of operational risks. We continue to have issues with our STATCOM unit this year and are investigating a holistic solution to address this with the proposed solar farm inverters.

As can be seen on the page opposite, we had an interactive artist residency with Cameron Robbins in October which culminated in an exhibition at Leonards Hill. Late in 2018, we said goodbye to directors Ross Ulman and Geoff Gedge and we thank them for their contribution to the co-operative. In their place we welcomed Justine Tyrrell and Mark Fogarty who bring significant experience and have been a positive addition to the co-operative's governance group.

The coming financial year will see significant strategic activity directed to maintain the health of the co-operative in the absence of a federal government energy policy framework. We are well prepared to meet these challenges, in no small part due to the tireless and skilled efforts of our CEO and staff, and the support of our members, for which we remain very grateful.

We hope to see as many members as possible at our next Annual General Meeting on 16 November at the Daylesford Town Hall as we take our next steps into a renewable energy future.

Your board

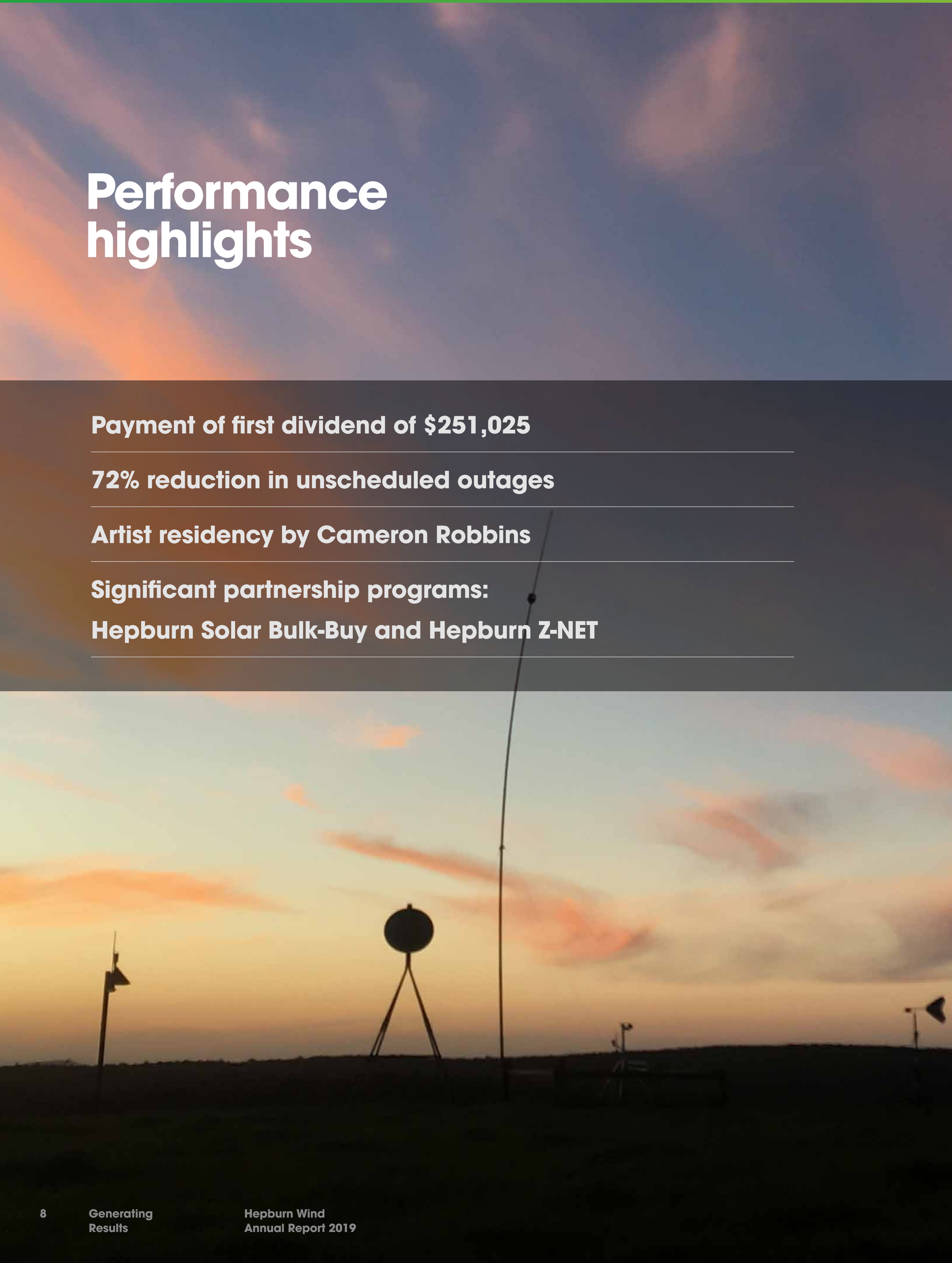
OUR LIFECYCLE IMPACT - 8 YEARS IN!

- Total energy generated 80,865MWh abating 87,334 tonnes of CO_2
- Total Community Fund benefit: $247,526
- 32kW of donated solar projects on 7 community facilities worth $47,450

THIS YEAR'S 'IN-KIND' IMPACT

- $500,000 grant secured for solar farm development and CAPEX
- Pro-bono board time valued $45,500
- Business development grant worth $23,200
- $50,000 pro-bono contribution to our solar farm development (now totalling $180,000)

Performance highlights



Payment of first dividend of $251,025

72% reduction in unscheduled outages

Artist residency by Cameron Robbins

Significant partnership programs: Hepburn Solar Bulk-Buy and Hepburn Z-NET

	FY2018	FY2017	Variance	Variance %
Revenue and income				
Electricity Sales	$1,058,223	$917,358	$140,865	15%
Renewable energy certificate sales	$646,173	$834,475	($188,302)	-23%
Movement in LGC's on hand	($117,868)	$11,275	($129,143)	-1145%
Combined generation income	$1,586,528	$1,763,108	($176,580)	-10%
Co-marketed product revenue	$3,358	$5,145	($1,787)	-35%
Other revenue	$80,918	$39,132	$41,786	107%
Market value				
Electricity generated (per MWh)	$91.60	$81.70	$9.90	12%
Certificates created	$51.17	$82.67	($31.50)	-38%
All-in value	$142.77	$164.37	($21.60)	-13%
Outgoings				
Operating expenses	$551,940	$535,260	$16,680	3%
Community fund, sponsorships and local benefits (1)	$26,578	$31,650	($5,072)	-16%
Finance expenses	$-	$2,374	($2,374)	-100%
Total outgoings excluding depreciation and provisions	$578,518	$569,284	$9,234	2%
Financial performance				
Group EBITDA	$1,084,704	$1,244,398	($159,694)	-13%
EBITDA cents per share	10.92	12.50	(1.58)	-13%
Group earnings before depreciation (2)	$1,084,704	$1,242,024	($157,320)	-13%
Depreciation	$462,898	$463,005	($107)	0%
Net profit before tax	$621,806	$779,019	($157,213)	-20%
Income tax expense	$175,247	$215,829	($40,582)	-19%
Net profit after tax	$446,559	$563,190	($116,631)	-21%
Loan outstanding	$1	$1	-	0%
Operations				
Wind farm availability (3)	96.5%	95.7%	0.8%	1%
Wind farm unscheduled outage (hours)	47	169	(122)	-72%
Wind speed average both turbines (m/s)	7.05	7.0	0.5	.05%
Wind farm generation (MWh)	11,076	10,864	212	2%
Capacity factor	29.5%	29.2%	0.3%	1%

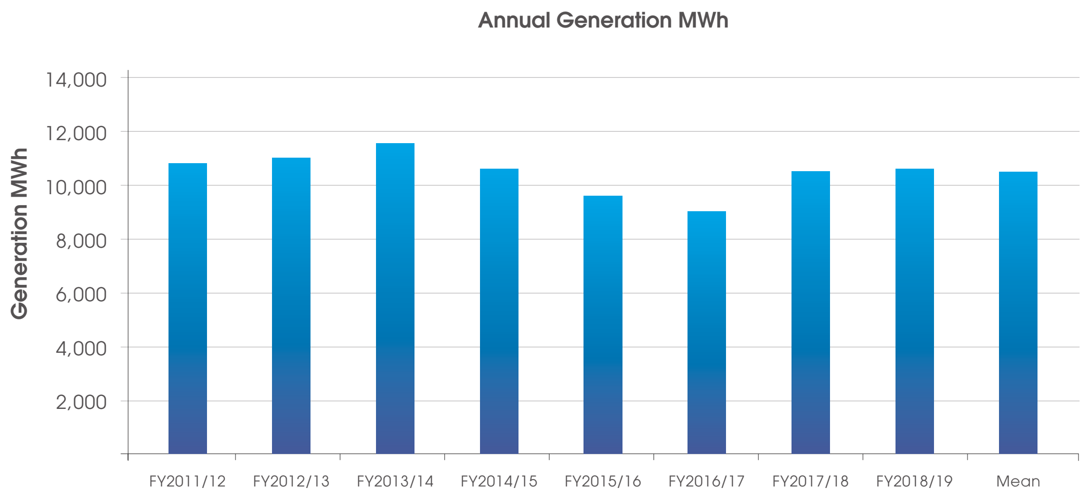
Footnotes

1. Community fund in the statutory accounts includes movement in provision for community grants of -$22,417 (2018: -3,923) and contributions from retailers 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.

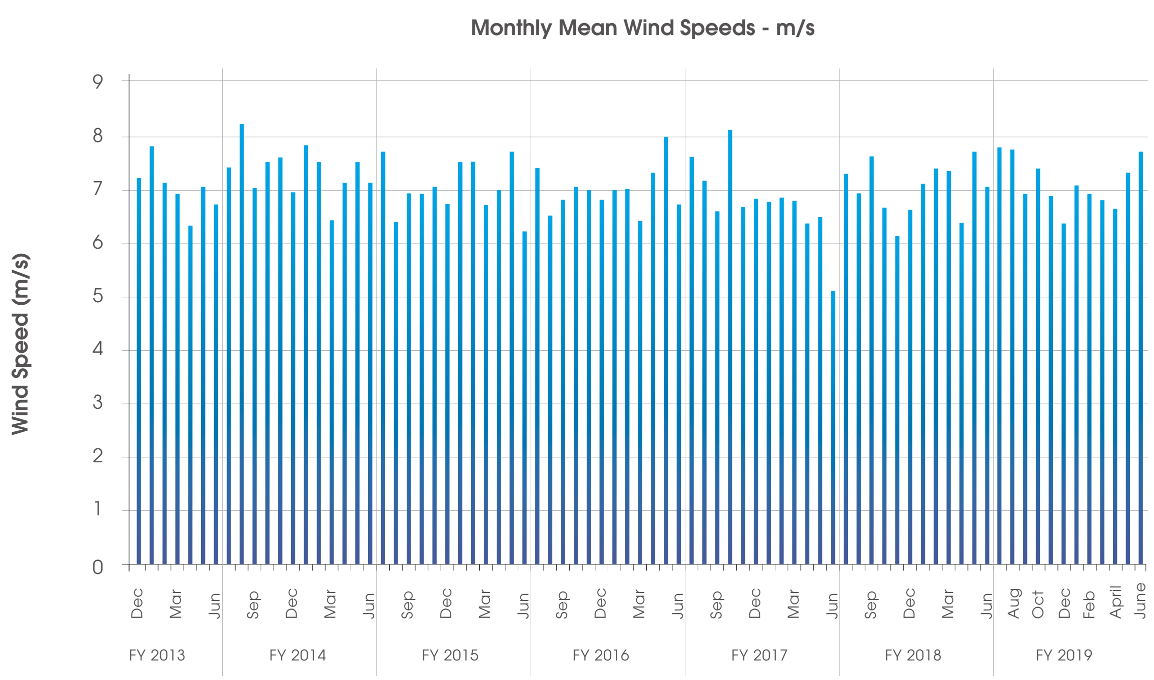
Our Performance

Operations

The final generation figure of 11,076MWh (including the DLF/MLF uplift from 10,600MWh) was up 2% from FY2018, with a combined capacity factor (the average power generated, divided by the rated peak power) lifting to 29.5% for Gale and Gusto. The wind farm availability lifted 1% to 96.45%. This is the proportion of the year that the grid was available and the turbines were capable of generation. The annual generation since operations commenced in June 2011 can be viewed in the chart below.



The wind resource was slightly higher than last year at 7.05 metres per second across both turbines. The monthly average wind speed can be viewed in the chart below.



A notable achievement this year was the large reduction in unscheduled wind farm outages of 47 hours, down from 169 hours last year – a 72% reduction , due largely to the auto-reconnect system installed in 2017. The wind farm is prone to regular network outages as a result of disturbances and fragility of the local distribution network. There was increased regularity of wind farm outages and curtailments at the request of Powercor to facilitate works on the local network. These works are expected to continue next year during the REFCL rollout.

There were no occupational health and safety events this year, 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. All routine annual and six-monthly turbine maintenance was completed on schedule.

Notable curtailments and outages over the last year included:

- in September Gusto was down for 12 hours due to a faulty anemometer;
- curtailment to 2,200kW for six days in January was due to two faulty STATCOM inverter modules;
- large periods of downtime in January were due to Powercor works and/or low voltage on the local network – this occurred during a high price period;
- both turbines were off for a 46 hour period in March due to an underground cable fault on the Powercor network;
- Gusto down for 20 hours with a pitch fault in April;
- Gale down for 12 hours in May due to frequency converter errors;
- curtailment to 2,200kW in May for a large portion of the month was due to the STATCOM being offline due to a faulty container fan variable speed drive.

A gearbox oil sample taken from Gusto revealed a high copper count mid-year. An endoscope inspection highlighted significant contaminants and corrosion on the intermediate shaft generator side bearing and general contamination of the oil (discolouration, sludge). Senvion will remediate and replace early in FY2020.

Senvion Administration

Senvion GmbH, Senvion Australia's parent company, filed for self-administration proceedings in Germany on 9 April 2019 with the support of its main financing parties and main shareholder. This action was taken to support the transformation program that Senvion commenced earlier this year.

Since then, Senvion Australia has been working closely with wind farm owners and delivery partners to support the safe delivery and operation of its projects in Australia. Hepburn Wind receives regular progress updates from Senvion. The major impact to Hepburn Wind is that a long term service contract (which will provide savings to the co-operative) was in its final stages with Senvion when administration occurred. Negotiations will recommence in the new financial year.

Rapid Earth Fault Current Limiters (REFCLs)

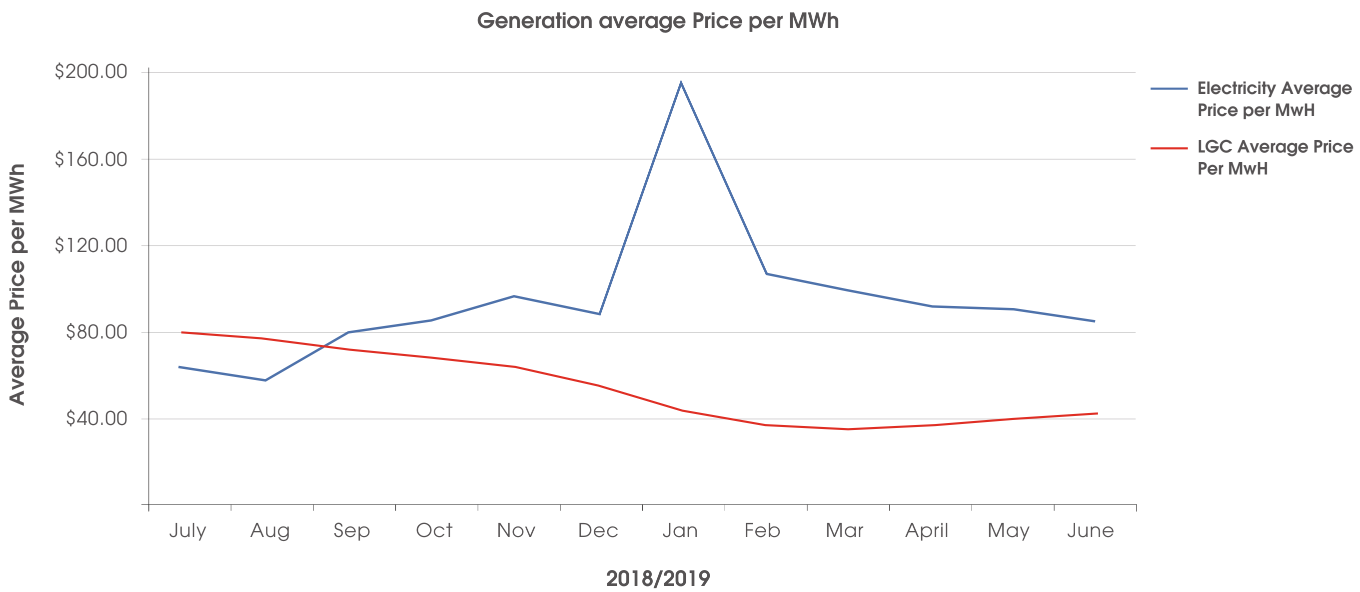
In response to the bushfires of 2009 the Victorian Government established the Victorian Bushfires Royal Commission which observed that electricity infrastructure caused many of the bushfires of Black Saturday. The Commission called for the establishment of a program that would ensure power lines and infrastructure would not cause bushfires in the future through asset hardening or replacement/refurbishment of existing assets. High Voltage Customers (including generators) are expected to pay either a portion, or the full amount for the required upgrades.

Hepburn Wind was identified as a generator that could access the High Voltage Customer Assistance Program (HCAP) to receive 50% funding for these upgrades (capped at $250,000). After completing an Impact Assessment Study, with engineering consultants, Middleton Group, Hepburn Wind was advised that the costs of asset hardening could be $520,000 - $1,140,00 (excl.GST). Even with 50% funding from the State Government, Hepburn Wind could still not afford these costs. After continued lobbying, the co-operative was invited to and submitted a hardship application for full funding for the required works in June, which, if successful, will negate these substantial costs. In addition, the co-operative will soon be undertaking a detailed assessment of the balance of plant assets to refine the capital expenditure needed for the upgrade. Please view the lobbying letter here: https://www.hepburnwind.com.au/wp-content/uploads/2019/06/2019-HCAP-letter.pdf

Our Performance

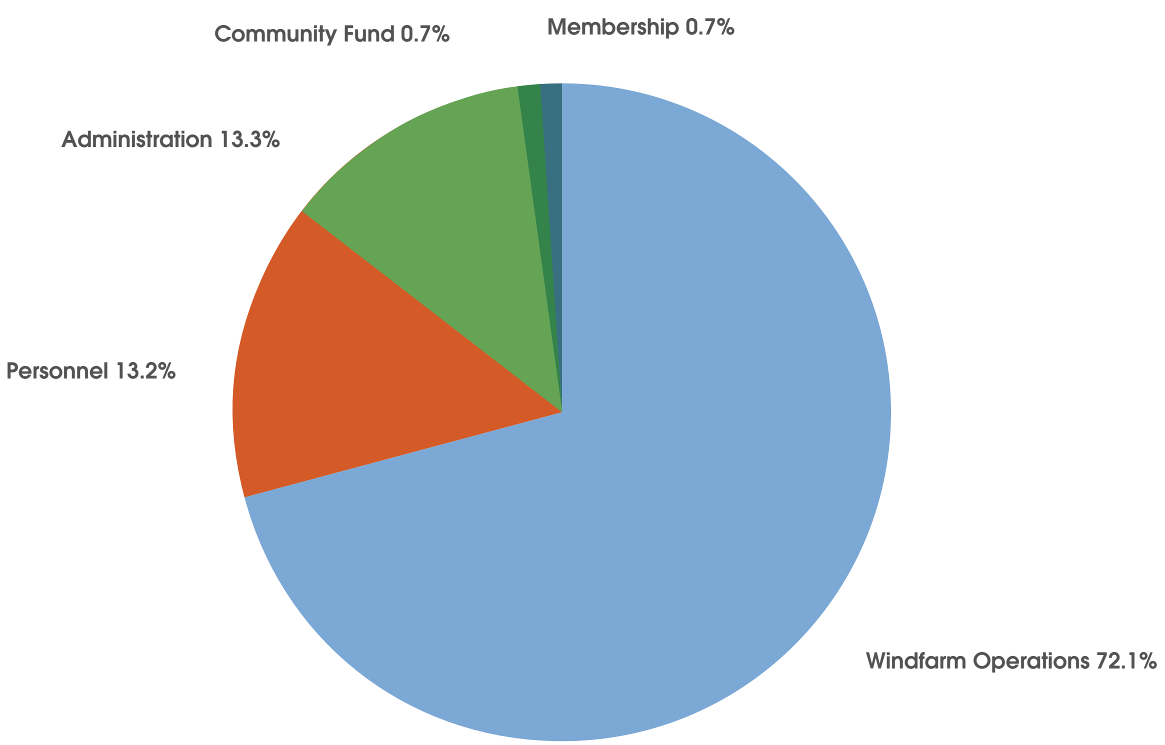
Expenses, debt management and accumulated losses

Electricity prices remained high throughout the year, however, large generation certificate (LGC) prices fell considerably during the year. The average electricity price was $91.60 per MWh up a further 12% on the previous year but the average LGC price was $51.17 a fall of 38% compared to the prior year. This resulted in an all-in price of $142.77, down 13% on the previous financial year and together these resulted in a decrease in total generation income of 10% to $1,586,528. The average generation price across electricity and LGCs is depicted in the following graph.

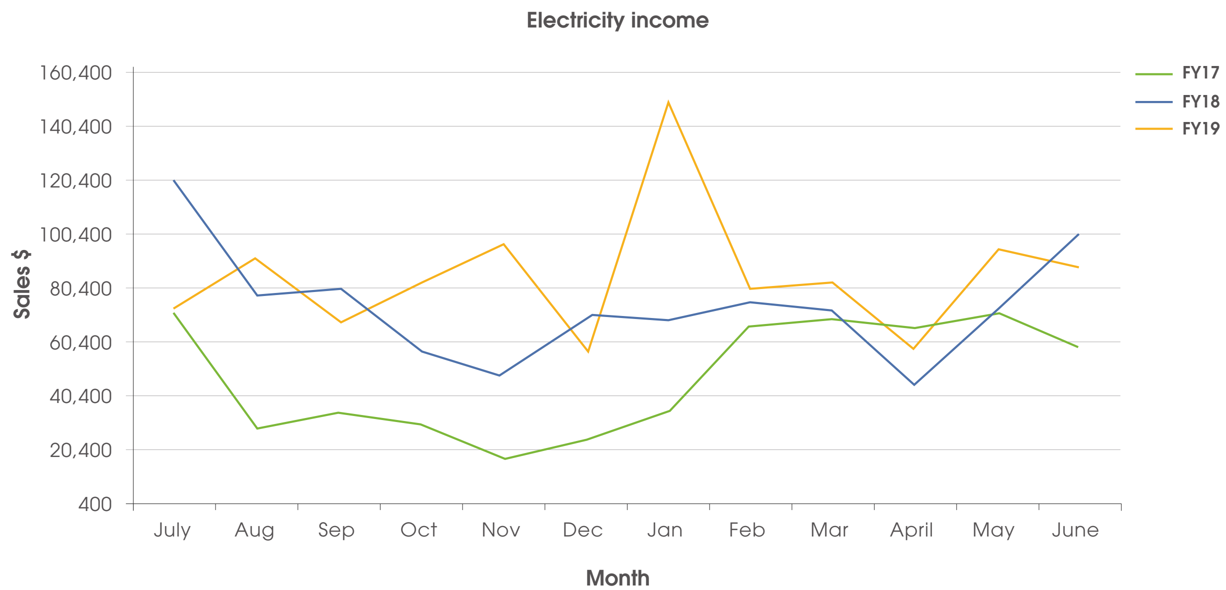


Administrative expenses were up by $5,900 however, there was a reduction in accounting expenses by $10,440 which was offset by consulting in respect of the business plan of $12,278 and legal services expense of $1,818 together with smaller changes in other administrative expenses. Personnel expenses increased by $11,384 mainly as a result of increased wages and salaries up $11,060 with associated superannuation expense similarly up $1,174 partially offset by smaller decreases in other personnel expenses. Finance costs were down by $2,374 with the loan having been paid down during the previous year. Operating expenses remained steady being only up by $403 with no significant changes within the expenses incurred. The tax position for the year is an income tax expense of $175,247 reflective of the profit earned in the year.

The following graph depicts the expenditure breakdown for the financial year.



The major factor for the co-operative performing not too far under budget this financial year despite the large reduction in LGC prices was the one-off peak power event in late January. Hot temperatures resulted in a shortfall in electricity supply and a resulting high price for generators that were online at that time. During this week the co-operative made $99,788.43 in electricity income alone. The following graph shows the January peak power event and the variations in income over the past three years.

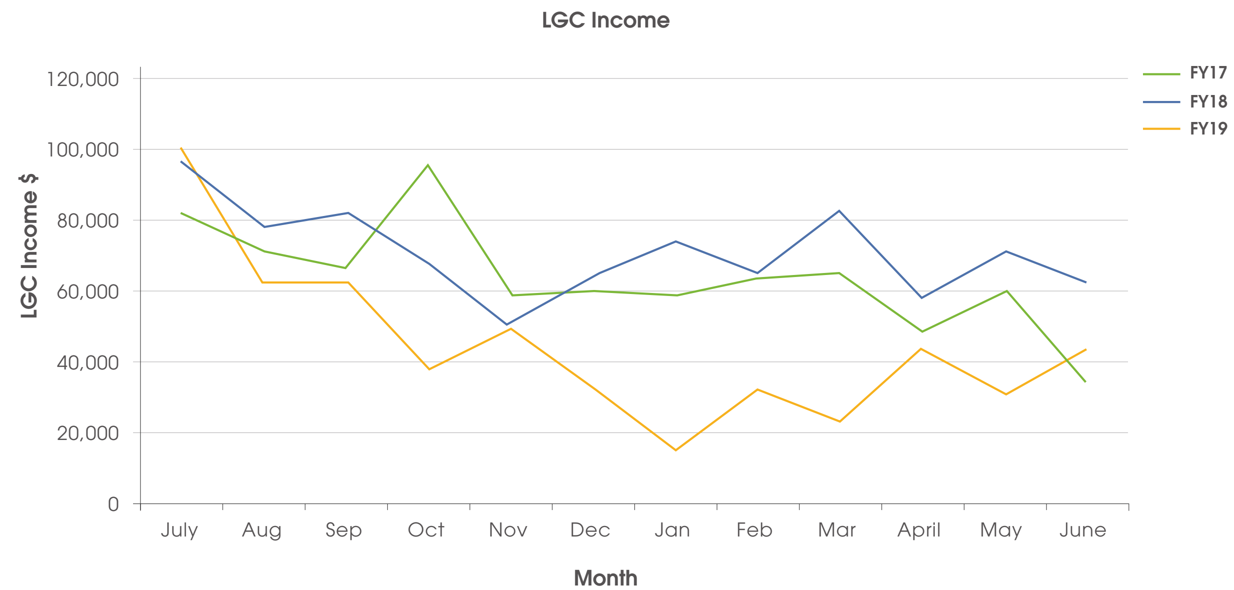


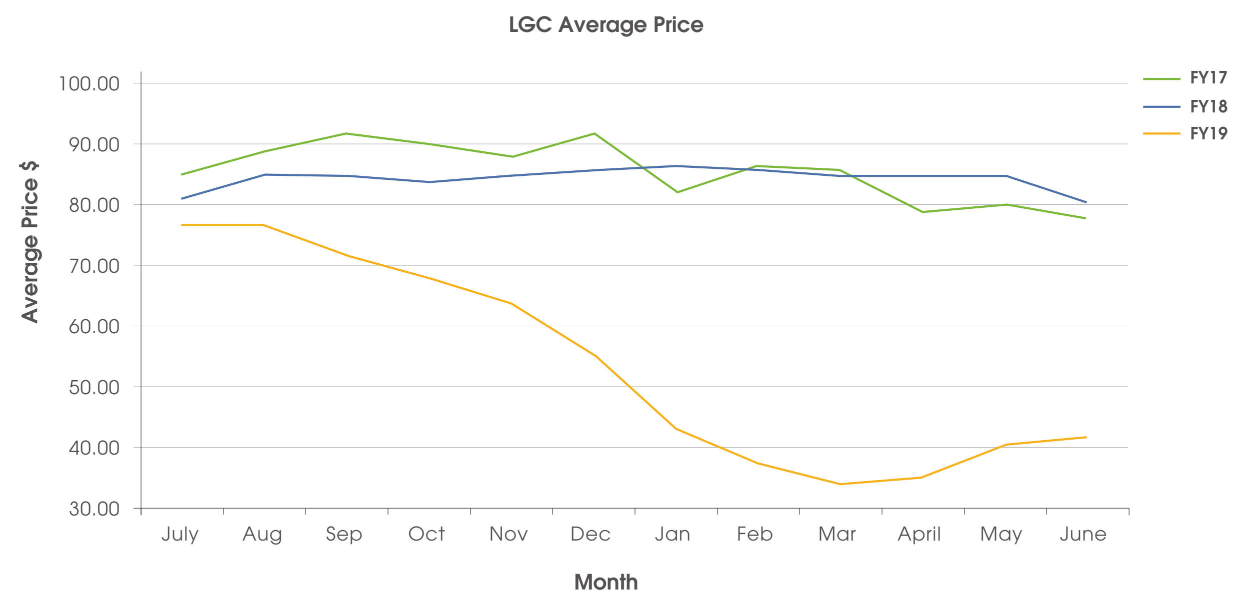
For the forthcoming year, the large unknown variable is the spot market price for electricity. The rationale used for budgeting purposes assesses the ASX forward curve - this is based on the historical price averages. In regards to the forecasts for LGCs, it is worth noting a price much lower in CY21 and CY22 is likely.

As was described in the updated Disclosure Statement in April this year, a driver for this price reduction is the Clean Energy Regulator (CER) who administers the registration and accounting of LGCs recently revised its rules. Prior to last December, the authority would publicise any retailer not supplying their certificate quota in the allocated year. Until then there were very few missed deadlines. In December 2018 the authority changed its stance and now encourages retailers to utilise a three-year window of supplying certificates. Several retailers have recently opted to pay penalties under the 2020 renewable energy target rather than meet their full liability. This has resulted in an immediate reduction in the demand for LGCs and hence the market price has halved since November 2018. The 2020 RET is close to being met and therefore there are set to be further reductions in LGC pricing in the coming years.

This year's reduction in LGC prices has impacted our profitability for FY2019. This reduction in prices indicates a significant threat to the co-operative's viability into future years. The co-operative's board and management are actively pursuing strategies to alleviate and mitigate that threat, for example through exploring the solar farm development as an investment in future generation income.

The volatility of the LGC market is depicted in the following two graphs.





Dividend

We began paying company tax for the first time in the second quarter of this financial year (FY2019) which meant we were able to pay our first dividend to members – as an interim dividend of $251,024.89 (2.6%). Based on feedback from some members that they would like to either reinvest some of their dividend or would like to donate to the community fund, three specific options were made available; receive the dividend, participate in the dividend reinvestment plan (DRP); or donate to the community fund.

Out of the 2013 members who participated:

- 100 members chose to reinvest, generating 5,423 new shares

- 13 members chose to donate, providing $1,072.89 to the community fund

- 1900 members received the dividend worth $251,024.89

If you are a member and have not received your dividend, your details might not be updated with our share registry, Link Market Services. You are still able to receive your dividend but will need to go through the registry to access these funds. Make sure to contact Link Market Services with an email to: registrars@linkmarketservices.com.au

Securing our future

Solar farm development

This financial year the Future Generation Working Group has continued to develop the solar farm in order to strengthen Hepburn Wind's financial resilience. In November 2018 Hepburn Wind was awarded a grant from the Victorian State Government's Renewable Communities Program for $500,000 dollars. Hepburn Wind will match this grant with a $500,000 cash contribution if the project reaches construction. This grant has enabled Hepburn Wind's development activities for Victoria's first hybrid wind and solar park which would be the first in Australia to be 100% community owned. Co-locating at least 3MW of solar with the existing 4.1MW of wind will improve the energy portfolio of Hepburn Wind and increase economies of scale of the cooperative.

The co-operative intends to only build the solar farm with a guaranteed long term purchase agreement, which is described below. As the current Federal Government has no policy to support renewable energy development or plans to extend the Renewable Energy Target, LGCs (which make up a large portion of the co-operatives income) are already falling in price. Hepburn Wind has secured significant low/pro-bono work to progress the planning permit application. In particular, the co-operative is most grateful to DNV GL for their extended support producing detailed technical studies for the solar development.

Adding solar to the generation portfolio of the co-operative could offset the emissions of at least 1000 Hepburn Shire homes (or 6000 tonnes of carbon annually). As a partner in the Z-NET pilot for the Hepburn Shire, solar would help ensure that the region is on track to zero-net energy by 2025.

Community energy incentive

Due to the federal energy policy uncertainty, Hepburn Wind has been lobbying on a state level to secure a community energy incentive, in the form of a Feed in Tariff (FiT). This FiT would pay mid-scale community energy generators a premium for their energy generated. This is a part of the co-operatives strategy to mitigate the risk arising from the LGC price fall and to ensure we can enhance our economies of scale.

Hepburn Wind is recommending that the community energy incentive follows these principals:

- Providing approximately 6-7c per kWh for community energy projects between the size of 1-10MW, to put them on par with rooftop solar.
- The FiT would be complemented by targets for community energy projects i.e. a 100MW by 2025 carve out of the Victorian Renewable Energy Target (VRET) for community projects.
- The FiT would take account of the needs of diverse social groups and provide a price that would facilitate community energy projects from low to high income communities.
- The FiT would be part of a suite of strong policies for community energy

Over the coming year Hepburn Wind will continue to lobby the State Government to deliver an outcome for community energy projects and will keep members updated on how this progresses and also ask for your support to ensure we have strong representation. Please view the lobbying letter here: https://www.hepburnwind.com.au/wp-content/uploads/2019/06/FIT-for-Community-Energy-DELWP.pdf

Boost your Business grant

In 2018, Hepburn Wind was successful under the Boost your Business grant program, run by the State Government and the Department of Jobs, Precincts and Regions for a grant of $23,200. The Difference Incubator (TDi), investigated market developments and opportunities to grow our business model. TDi are a Melbourne-based organisation, seeking to support sustainable and inclusive economies. Over six months TDi worked closely with board and staff around growth opportunities for the wind farm and farm site at Leonards Hill. This program is designed to support Victorian businesses to become more productive, employ more people, improve market access and increase their scale, diversity and profitability.

Our stakeholders

Engaging with our membership

Hepburn Wind's 2018 AGM was held on 3 November with over 100 members attending the meeting. The AGM offered attendees a great opportunity to learn more about the interim dividend rule change, Hepburn Wind's work on the Z-NET Pilot and hear from Iris Degenhardt on her community's transition to 120% renewables in Germany. At the AGM members voted for Hepburn Wind's proposed rule change, enabling payment of an interim dividend – Hepburn Wind's first dividend in June 2019.

Throughout the year members received 12 distinct member updates. There was significant member participation in the survey to determine the dividend options and the community grants strategic review survey. In addition, around 500 members updated their details throughout the year.

The board processed 27 member sales and transfers during the year, including a donated shareholding from an estate of 30,000 shares and two new neighbourhood members.

Engaging with our community

In October and November 2018 Hepburn Wind hosted local artist Cameron Robbins at the wind farm for a three week residency. Camerons work seeks to make tangible the underlying structures and rhythms of natural forces. He uses mechanical installations to transcribe natural forces into drawings, photo's and sound works. Cameron's pieces were on exhibition at Leonards Hill Hall in November and he has kindly donated two works to Hepburn Wind.

We sent 12 supporter e-newsletters throughout the year including a public submission for ambitious Emission Reduction Targets.

A book on leading Australian Social Enterprises 'Dollars and Sense' shared a detailed case study on the co-operative.

Hepburn Wind also featured in a Climate Council short film that had over 70,000 views.

You can watch it via this link
www.youtube.com/watch?v=7QaCy9T5Wzw'

1,882 followers

3,383 followers

809 followers.

Partnership projects

Hepburn Z-NET

Hepburn Wind has acted as a key partner in the Z-NET Community Transition Pilot. One of the primary outcomes of this pilot, the Community Transition Plan, was launched in April. The plan documents the current emissions blueprint of the region, looking at emissions from waste, industry, transport, agriculture, land use and tourism and sets out a pathway to zero-net energy (2025) and emissions (2030).

The Community Transition Plan looks to move to zero-net emissions through a series of phases. Phase 1 is "quick wins" seeking to improve energy efficiency and local understanding of emission reduction options. Phase 2 is where the Hepburn Shire will reach zero-net energy, by developing mid-scale renewable energy capacity. Phase 3 will involve addressing emissions from transport and agriculture. At the end of Phase 3 the Hepburn Shire aims to reach zero-net emissions.

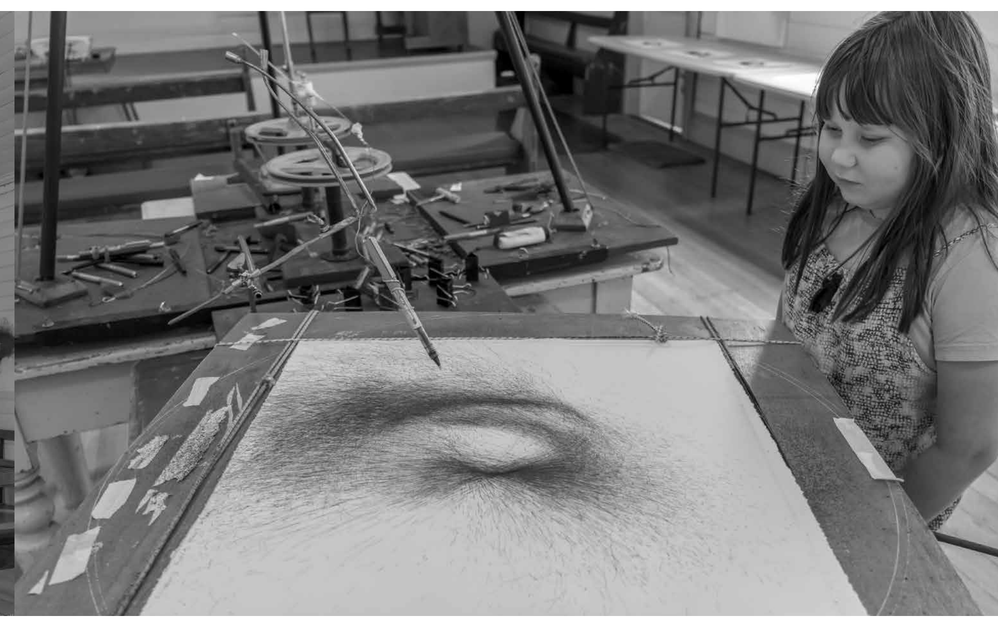
We would like to thank all Hepburn Wind members and supporters who participated in the Z-NET survey or attended Z-NET events. The Community Transition Pilot was funded by Sustainability Victoria, Hepburn Shire Council, Hepburn Wind, Samsø Energy Academy (Denmark) and Diversicon Environmental Foundation.

To learn more about Hepburn Z-NET, please read through the website here https://z-net.org.au/hepburn/

Solar Bulk Buy

In 2018 Hepburn Wind welcomed the Hepburn Solar Bulk-Buy into the shire. Now managed by the Central Victorian Greenhouse Alliance (CVGA), the program has helped the Hepburn Shire to reach new records in solar installations. The Hepburn Solar Bulk-Buy has installed 118 systems this financial year. These systems equate to 589kW of new solar capacity across the shire. The Bulk-Buy is also assisting three community facilities to install solar, these include the:

- The DOXA Malmsbury Camp - $13,500
- The Daylesford SES - $8,500
- The Trentham Primary School - $14,465

Community Fund

The Hepburn Wind Community Fund has been a tool for the co-operative to build local community resilience, sustainability and engage with local community members. There are four main streams, the; Community Grant Program, Energy Fund, Sponsorship and Neighbourhood Benefit Program. These funding streams cover the Hepburn Shire and parts of the Moorabool Shire and have contributed greatly to the local community.

Changes to our Community Grants program

The Community Grant program has funded 60 small projects over the past seven years to a total of $115,230 dollars. This program was once the only micro-grant scheme within the Hepburn Shire. There are now several similar schemes from council, three community banks, Rotary and the Community Op Shop. Due to the abundance of local micro-grants, Hepburn Wind has begun developing a new strategy for the grants program.

Key to redesigning the grants program to support local environmental and community objectives, is to consult with members around community needs in order to have a more strategic legacy approach to granting. The first program which has been determined by the board is an educational and curriculum development program. Hepburn Wind will continue to keep members updated about the new program strategy over the coming year.

Energy Fund

The Hepburn Wind Energy Fund financed and co-ordinated the installation of a 6.325kW solar system for the Trentham Neighborhood House to the value of $9,000. This new system will help the facility to save approximately $1,142 and will abate 9.7 tonnes of Co2 per annum.

Neighbourhood benefits

In addition to the annual infrastructure payments we make to the Leonards Hill CFA, Korweinguboora Recreation Reserve and the Leonards Hill Hall, this year Hepburn Wind assisted the Leonards Hill Hall to update their facility with a new coat of paint. Using unallocated monies from Hepburn Wind Community Fund streams, the co-operative provided the hall with $5,920 dollars to paint and restore the buildings interior. The hall is a significant community asset and the upgrade will enable it operate in better condition. The hall committee also made a $2,000 co-contribution to the painting.

Z-NET Climate Resilience Fund

As a partner in the Hepburn Z-NET project, Hepburn Wind has contributed $7,500 to the newly founded Z-NET Climate Resilience Fund. This fund will also receive contributions from the Hepburn Shire Council, local community banks and will be used to support the development of legacy environmental projects. The fund has three key streams:

1. Projects enabling behavior change in the community, funding them for project feasibility studies or business cases

2. Zero or low interest project finance for proven projects

3. Leverage funding, which will enable the project proponent to seek other grants and additional funding.

This new fund will help local community groups and individuals participate in the zero-net emission transition and ensure that good local projects are financially supported. The first grant is a free energy audit and retrofitting support program, to be hosted by Transition Creswick. We are most grateful to our energy retailer Powershop for also contributing to this first project.

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, Fulcrum3D, Robyn Donnelly, Enhar Consulting, DNV GL, Renew, Ecology and Heritage Partners, The Difference Incubator, Share Connect, Central Victorian Greenhouse Alliance, University of Melbourne, Cameron Robbins, Brodie Ellis, Nilsson, Noel & Holmes Surveyors Pty Ltd, and Engineers Without Borders, Consolidated Power Projects, Green Button Electrical & Tech Services, Senvion Australia (formerly REpower Australia), Bendigo and Adelaide Bank, Bleyer Lawyers, Powercor, Laser Electrical, PPT Accounting, Marsh Insurance Brokers, Clean Energy Council, Australian Wind Alliance, Yes2Renewables, 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. Hepburn Wind would like to thank Brodie Ellis and Robin Larsen for the photographs in this report.

Attachments

Updated Disclosure Statement
www.hepburnwind.com.au/wp-content/uploads/2019/04/2019-Disclosure-Statement.pdf

01

2019 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 2019

Contents

For the Year Ended 30 June 2019

Directors' Report

For the Year Ended 30 June 2019

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 2019.

Directors

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

Names	Position	Elected/Resigned
Graham White	Chairperson	Elected 7 November 2015 Elected chairperson on 25 September 2018
David Perry	Director	Elected 6 November 2011 Re-elected 15 November 2014
Mark Fogarty	Director	Appointed 19 December 2018
Geoff Gedge	Director	Elected 10 November 2017 Retired 6 December 2018
Linda Hancock	Director	Elected (by acclamation) 10 November 2017
Paul Houghton	Director	Elected (by acclamation) 10 November 2017
Stuart Read	Director	Elected (by acclamation) 10 November 2017
Ross Ulman	Director	Elected 7 November 2015 Retired 13 September 2018
Justine Watson	Director	Appointed 19 December 2018

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 2019, the Group employed three part time staff:

- Taryn Lane (General Manager)
- Jessica Eve (Administration & Membership Officer)
- Marie Lakey (Communications Officer)

Directors' Report

For the Year Ended 30 June 2019

Principal activities

The principal activities of the Group over the course of the financial year were to:
- operate the wind farm comprising two wind turbines at Leonards Hill in Victoria,
- develop a solar farm at Leonards Hill in Victoria, and
- optimise wind farm operations and the Co-operative functions.

During the year the Group undertook to develop an approximately 3MW solar PV system to be co-located with the wind turbines at Leonards Hill in Victoria with the support of a grant from the State of Victoria - Department of Environment, Land, Water and Planning.

No other 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 were $1,084,704 (2018: EBITDA of $1,244,398) representing earnings of 10.92 cents per share (2018: 12.50 cents per share).

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 $446,559 (2018: consolidated profit of $563,190).

The table below summarises the operating result of the Group.

	2019	2018
	$	$
Income	**1,670,804**	1,807,385
Expenses	**(586,100)**	(562,987)
Earnings before interest, taxes, depreciation and amortisation	**1,084,704**	1,244,398
Interest	**-**	(2,374)
Operating profit before depreciation, amortisation and income tax	**1,084,704**	1,242,024
Depreciation and amortisation	**(462,898)**	(463,005)
Operating profit before income tax	**621,806**	779,019
Income tax expense	**(175,247)**	(215,829)
Consolidated profit for the year	**446,559**	563,190

Dividends paid or recommended

Dividends were declared and paid during the 2019 financial year of 2.6 cents per share totalling $258,119.

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.

Directors' Report

For the Year Ended 30 June 2019

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 has fallen during the year due to a change in the application of the shortfall mechanism for CER's carried forward. This change, which came into effect in October 2018, has resulted in liable parties (electricity retailers) delaying the purchase of large scale generation certificates (LGC's) for up to a permissable 3 years. The LGC market response has been a 50% reduction in prices from around $80 to $40 per LGC. The directors believe that it is likely that the LGC price will continue to decrease significantly over the coming years.

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 2019

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.	Appointed 19 May 2015 Elected 7 November 2015 Elected chairperson 25 September 2018
Mark Fogarty	Mark has over 20 years of experience in clean energy development, from origination, financing and regulatory perspectives. He is passionate about clean energy projects working with community and agricultural stakeholders. Mark's technical skills include legal, governance and financial management.	Appointed 19 December 2018
Linda Hancock	Linda has had a long career working in corporate social responsibility for social and environmental sustainability. She is currently a Chief Investigator of the Australian Research Council Centre for Excellence in Electro Materials Science (ACES). Linda has worked on the board of governors of ACOSS and VCOSS and has resided in Daylesford since the 1980s. Member of the Finance & Risk Committee and Future Generation Working Group.	Appointed 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.	Appointed 10 November 2017

Directors' Report
For the Year Ended 30 June 2019

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. Member of the Operations Committee; Health, Safety & Environment Committee and Future Generation Working Group.	Elected 6 November 2011 Re-elected 15 November 2014
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.	Appointed 10 November 2017
Justine Watson	Justine has been working in public sector executive teams, leading transformational and regulatory change programs. She serves on the board of the More To Life Foundation and is a founding member of the Compassionate Ballarat Steering Group and holds Australian Public Service Medal for Strategy Leadership. Justine currently lives in Daylesford.	Appointed 19 December 2018

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

Directors' Report
For the Year Ended 30 June 2019

Meetings of directors

During the financial year, 9 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Meetings attended	Meetings eligible to attend
Graham White	9	9
Mark Fogarty	4	5
Geoff Gedge	3	4
Linda Hancock	8	9
Paul Houghton	8	9
David Perry	8	9
Stuart Read	8	9
Ross Ulman	1	1
Justine Watson	4	5

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2019, 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:..
Graham White

Director:..
David Perry

Dated: 29/08/19

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 2019, 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:

Statement of Comprehensive Income

For the Year Ended 30 June 2019

		Consolidated		Parent	
		2019	2018	2019	2018
	Note	$	$	$	$
Revenue	2	**1,670,804**	1,807,385	**600,429**	877,583
Administrative expenses	3	**(73,694)**	(67,794)	**(51,288)**	(40,338)
Communications, public meetings & events	4	**(3,934)**	(4,941)	**(3,934)**	(4,941)
Personnel expenses	5	**(73,262)**	(61,878)	**(73,262)**	(61,878)
Depreciation & amortisation	6	**(462,898)**	(463,005)	**(1,280)**	(1,280)
Interest	7	**-**	(2,374)	**-**	-
Other operating expenses	8	**(401,050)**	(400,647)	**(14,050)**	(14,304)
Community contributions	9	**(34,160)**	(27,727)	**(34,160)**	(27,727)
Profit before income tax		**621,806**	779,019	**422,455**	727,115
Income tax (expense)/benefit	10	**(175,247)**	(215,829)	**24,104**	28,420
Profit for the year		**446,559**	563,190	**446,559**	755,535
Other comprehensive income:					
Other comprehensive income for the year, net of tax		**-**	-	**-**	-
Total comprehensive income for the year		**446,559**	563,190	**446,559**	755,535

The accompanying notes form part of these financial statements.

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

Statement of Financial Position

As At 30 June 2019

		Consolidated		Parent	
		2019	2018	2019	2018
	Note	$	$	$	$
Assets					
Current Assets					
Cash and cash equivalents	11	**1,162,878**	1,103,062	**804,554**	1,039,892
Current tax assets	18(a)	**-**	-	**147,057**	-
Trade and other receivables	12	**273,745**	246,844	**23,849**	6,631
Inventories	13	**43,816**	161,684	**-**	5,021
Other financial assets	14	**1,089,054**	385,000	**1,089,054**	385,000
Total Current Assets		**2,569,493**	1,896,590	**2,064,514**	1,436,544
Non-Current Assets					
Investments in subsidiaries	15	**-**	-	**20**	20
Loans to related entities	16	**-**	-	**8,011,178**	8,447,369
Property, plant and equipment	17	**7,647,363**	8,075,633	**22,568**	11,239
Deferred tax assets	18(a)	**-**	18,245	**-**	20,281
Total Non-Current Assets		**7,647,363**	8,093,878	**8,033,766**	8,478,909
Total Assets		**10,216,856**	9,990,468	**10,098,280**	9,915,453
Liabilities					
Current Liabilities					
Current tax liabilities	18(b)	**52,885**	-	**-**	-
Trade and other payables	19	**83,334**	94,965	**19,090**	19,951
Provisions	20	**42,578**	28,745	**42,578**	28,745
Total Current Liabilities		**178,797**	123,710	**61,668**	48,696
Non-Current Liabilities					
Deferred tax liabilities	18(b)	**5,084**	-	**3,638**	-
Borrowings	21	**1**	1	**-**	-
Total Non-Current Liabilities		**5,085**	1	**3,638**	-
Total Liabilities		**183,882**	123,711	**65,306**	48,696
Net Assets		**10,032,974**	9,866,757	**10,032,974**	9,866,757
Equity					
Issued capital	22	**9,941,711**	9,963,934	**9,941,711**	9,963,934
Retained earnings (accumulated losses)		**91,263**	(97,177)	**91,263**	(97,177)
Total Equity		**10,032,974**	9,866,757	**10,032,974**	9,866,757

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2019

Consolidated

	Members Capital $	Share Premium Reserve $	Retained Profits / (Accumulated Losses) $	Total $
2019				
Balance at 1 July 2018	**9,956,085**	**7,849**	**(97,177)**	**9,866,757**
Profit attributable to members of the consolidated group	**-**	**-**	**446,559**	**446,559**
Shares issued during the year	**8,525**	**852**	**-**	**9,377**
Shares bought back during the year	**(31,500)**	**(100)**	**-**	**(31,600)**
Dividends paid	**-**	**-**	**(258,119)**	**(258,119)**
Balance at 30 June 2019	**9,933,110**	**8,601**	**91,263**	**10,032,974**
2018				
Balance at 1 July 2017	9,975,525	6,589	(660,367)	9,321,747
Profit attributable to members of the consolidated group	-	-	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

Parent

	Members Capital $	Share Premium Reserve $	Retained Profits / (Accumulated Losses) $	Total $
2019				
Balance at 1 July 2018	**9,956,085**	**7,849**	**(97,177)**	**9,866,757**
Profit attributable to members of the parent entity	**-**	**-**	**446,559**	**446,559**
Shares issued during the year	**8,525**	**852**	**-**	**9,377**
Shares bought back during the year	**(31,500)**	**(100)**	**-**	**(31,600)**
Dividends paid	**-**	**-**	**(258,119)**	**(258,119)**
Balance at 30 June 2019	**9,933,110**	**8,601**	**91,263**	**10,032,974**
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

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers		**1,691,285**	1,746,712	**3,091**	29,824
Payments to suppliers and employees		**(578,490)**	(550,625)	**(165,295)**	(156,826)
Interest received		**20,352**	11,054	**16,425**	9,640
Finance costs		**-**	(2,374)	**-**	-
Income tax paid		**(99,034)**	-	**(99,034)**	-
Net cash provided by/(used in) operating activities	23	**1,034,113**	1,204,767	**(244,813)**	(117,362)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment		**(22,628)**	(14,721)	**(609)**	-
Loan repayments from related parties		**-**	-	**961,753**	1,300,731
Payment for financial assets		**(704,054)**	(385,000)	**(704,054)**	(385,000)
Net cash (used in)/provided by investing activities		**(726,682)**	(399,721)	**257,090**	915,731
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from share applications		**3,410**	13,860	**3,410**	13,860
Payments for share buy-backs		**-**	(32,040)	**-**	(32,040)
Repayment of borrowings		**-**	(88,207)	**-**	-
Dividends paid		**(251,025)**	-	**(251,025)**	-
Net cash (used in)/provided by financing activities		**(247,615)**	(106,387)	**(247,615)**	(18,180)
Net increase in cash and cash equivalents held		**59,816**	698,659	**(235,338)**	780,189
Cash and cash equivalents at beginning of year		**1,103,062**	404,403	**1,039,892**	259,703
Cash and cash equivalents at end of financial year	11	**1,162,878**	1,103,062	**804,554**	1,039,892

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2019

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) Change in accounting policy

Financial Instruments - Adoption of AASB 9

The Group has adopted AASB *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2017.

As part of the adoption of AASB 9, the Group adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for in the current year.

The key changes to the Group's accounting policies and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively.

Classification of financial assets

The financial assets of the Group have been reclassified into the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost
- Fair value through profit and loss (FVTPL)
- Fair value through other comprehensive income - equity instruments (FVOCI - equity)
- Fair value through other comprehensive income - debt instruments (FVOCI - debt)

1 Summary of Significant Accounting Policies

There were no changes to carrying amounts as a result of the adoption of AASB 9.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost, contract assets and fair value through other comprehensive income. This has resulted in earlier recognition of credit losses (bad debt provisions).

Revenue from Contracts with Customers - Adoption of AASB 15

The Group has adopted AASB 15 *Revenue from Contracts with Customers* for the first time in the current year with a date of initial application of 1 July 2017.

There is no material change to accounting policies as a result of the adoption of AASB 15.

(c) 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.

(d) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies

(e) 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.

(f) 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. 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 rates of 13.33% - 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.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies

(g) 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.

(h) Financial instruments

Classification

On initial recognition the Group classifies its financial assets, according to the basis on which they are measured, at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the busines model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

1 Summary of Significant Accounting Policies

(h) Financial instruments

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasosable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

- Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expeccted loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expenses. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

1 Summary of Significant Accounting Policies

(h) Financial instruments

- Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, as estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

(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.

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.

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies

(k) Income tax

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 2019

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 2019

	Consolidated		Parent	
	2019	2018	2019	2018
	$	$	$	$
2 Revenue and Other Income				
Operating revenue				
Electricity	**1,014,557**	887,591	**-**	-
Large-scale Generation Certificates	**646,173**	834,475	**-**	-
Transmission use of system income	**43,666**	29,767	**-**	-
Movement in inventory of Large-scale Generation Certificates	**(117,868)**	11,275	**(5,021)**	(89)
	1,586,528	1,763,108	**(5,021)**	(89)
Other revenue				
Dividend income	**-**	-	**525,562**	836,277
Donation of shares (i)	**30,600**	-	**30,600**	-
Donation of artwork	**12,000**	-	**12,000**	-
Interest income	**36,232**	14,155	**32,589**	12,318
Site tours	**513**	91	**513**	91
Other income	**500**	1,386	**500**	1,386
Community fund contributions from retailers	**3,358**	5,145	**2,613**	4,100
Other community fund contributions	**1,073**	23,500	**1,073**	23,500
	84,276	44,277	**605,450**	877,672
	1,670,804	1,807,385	**600,429**	877,583

(i) The Co-operative received donations from shareholders of the proceeds of shares repurchased by the Co-operative during the year (2018: nil).

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

Notes to the Financial Statements

For the Year Ended 30 June 2019

	Consolidated		Parent	
	2019	2018	2019	2018
	$	$	$	$
3 Administration expenses				
Accounting fees	**11,130**	21,570	**5,565**	10,785
Audit fees	**5,400**	5,250	**2,700**	2,625
Bank charges	**876**	1,505	**70**	76
Bookkeeping	**7,417**	7,483	**3,708**	3,676
Consulting fees	**12,278**	-	**12,278**	-
Legal services	**1,818**	-	**1,818**	-
Management accounting expense	**17,925**	16,950	**8,963**	8,478
Office supplies & information technology	**4,713**	4,990	**4,312**	4,906
Secretarial fees	**393**	332	**130**	78
Share registry	**11,122**	9,175	**11,122**	9,175
Website expenses	**622**	539	**622**	539
	73,694	67,794	**51,288**	40,338
4 Communications, public meetings & events				
Contributions to landowner	**90**	14	**90**	14
Public events & meetings	**3,625**	4,564	**3,625**	4,564
Other communication expenses	**219**	363	**219**	363
	3,934	4,941	**3,934**	4,941
5 Personnel expenses				
Superannuation contributions	**5,798**	4,624	**5,798**	4,624
Wages, salaries & contractors	**61,030**	49,970	**61,030**	49,970
Workcover	**184**	204	**184**	204
Movement in leave provisions	**6,250**	7,080	**6,250**	7,080
	73,262	61,878	**73,262**	61,878

Notes to the Financial Statements

For the Year Ended 30 June 2019

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
6 Depreciation and amortisation				
Depreciation	**462,898**	463,005	**1,280**	1,280
	462,898	463,005	**1,280**	1,280
7 Interest				
Interest paid	-	2,374	-	-
	-	2,374	-	-
8 Other operating expenses				
Insurance	**44,316**	42,662	**10,840**	11,224
Licence fees	**2,225**	2,225	**1,000**	1,000
Municipal payment in lieu of rates	**16,165**	16,382	-	-
Office rent	**4,420**	4,160	**2,210**	2,080
Wind farm rent	**26,097**	25,535	-	-
Wind farm operation	**307,827**	309,683	-	-
	401,050	400,647	**14,050**	14,304
9 Community contributions				
Community fund grants	**3,401**	9,736	**3,401**	9,736
Energy fund	**12,195**	19,014	**12,195**	19,014
Local benefit program	**8,981**	1,400	**8,981**	1,400
Sponsorships	**2,000**	1,500	**2,000**	1,500
Provision for community fund programme	**7,583**	(3,923)	**7,583**	(3,923)
	34,160	27,727	**34,160**	27,727

Notes to the Financial Statements

For the Year Ended 30 June 2019

10 Income Tax Expense

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

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Prima facie tax expense on profit before income tax at 27.5% (2018: 27.5%)	**170,996**	214,230	**116,175**	199,957
Add / (less) tax effect of:				
- Non-deductible expenses	**2,165**	2,677	**2,165**	2,677
- Non-taxable inter-company dividends	**-**	-	**(144,530)**	(229,976)
- Movement in non deductible provisions	**2,086**	(1,078)	**2,086**	(1,078)
Income tax expense/(benefit)	**175,247**	215,829	**(24,104)**	(28,420)
11 Cash and Cash Equivalents				
Operating accounts	**378,970**	69,515	**20,646**	6,345
Short-term bank deposits	**754,868**	994,557	**754,868**	994,557
Community fund accounts	**29,040**	38,990	**29,040**	38,990
	1,162,878	1,103,062	**804,554**	1,039,892
12 Trade and Other Receivables				
Trade receivables and accrued income	**225,936**	208,990	**-**	-
Other trade receivables	**165**	261	**165**	261
	226,101	209,251	**165**	261
Accrued interest income	**18,981**	3,101	**18,841**	2,678
GST receivable	**-**	-	**4,031**	2,514
Prepayments	**27,851**	33,314	**-**	-
Other receivables	**812**	1,178	**812**	1,178
	273,745	246,844	**23,849**	6,631

Notes to the Financial Statements

For the Year Ended 30 June 2019

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
13 Inventories				
Large-scale Generation Certificates	**43,816**	161,684	**-**	5,021
	43,816	161,684	**-**	5,021
14 Other financial assets				
Bank Term Deposits	**1,089,054**	385,000	**1,089,054**	385,000
	1,089,054	385,000	**1,089,054**	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	**-**	-	**8,011,178**	8,447,369
	-	-	**8,011,178**	8,447,369

Notes to the Financial Statements

For the Year Ended 30 June 2019

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
17 Property, Plant and Equipment				
Wind Farm Development, Compliance & Project Management				
At cost	**326,870**	326,870	**-**	-
Accumulated depreciation	**(84,366)**	(71,291)	**-**	-
	242,504	255,579	**-**	-
Wind Farm Construction				
At cost	**11,154,801**	11,154,801	**-**	-
Accumulated depreciation	**(3,807,971)**	(3,361,933)	**-**	-
	7,346,830	7,792,868	**-**	-
Office and other equipment				
At cost	**11,254**	10,616	**-**	-
Accumulated depreciation	**(6,136)**	(3,631)	**-**	-
	5,118	6,985	**-**	-
Future Energy Generation Projects				
At cost	**55,752**	21,762	**25,409**	12,800
Accumulated depreciation	**(2,841)**	(1,561)	**(2,841)**	(1,561)
	52,911	20,201	**22,568**	11,239
Total property, plant and equipment	**7,647,363**	8,075,633	**22,568**	11,239

(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	255,579	7,792,868	6,985	20,201	**8,075,633**
Additions	-	-	638	33,990	**34,628**
Depreciation expense	(13,075)	(446,038)	(2,505)	(1,280)	**(462,898)**
Balance at 30 June 2019	**242,504**	**7,346,830**	**5,118**	**52,911**	**7,647,363**

Notes to the Financial Statements

For the Year Ended 30 June 2019

	Consolidated		Parent	
	2019	2018	2019	2018
	$	$	$	$
18 Tax assets and liabilities				
(a) Tax Assets				
Current Tax Assets				
Provision for income tax	-	-	**147,057**	-
	-	-	**147,057**	-
Deferred Tax Assets/(Liabilities)				
Expenses not deductible until paid	-	2,488	-	2,488
Tax losses available to set off against future taxable income	-	21,620	-	21,620
Differences in accounting and tax depreciation rates	-	(5,010)	-	(3,091)
Income not assessable until received	-	(853)	-	(736)
	-	18,245	-	20,281
	-	18,245	**147,057**	20,281
(b) Tax Liabilities				
Current Tax Liabilities				
Provision for income tax	**52,885**	-	-	-
	52,885	-	-	-
Deferred Tax (Assets)/Liabilities				
Expenses not deductible until paid	**(4,282)**	-	**(4,282)**	-
Differences in accounting and tax depreciation rates	**4,146**	-	**2,739**	-
Income not assessable until received	**5,220**	-	**5,181**	-
	5,084	-	**3,638**	-
	57,969	-	**3,638**	-

Notes to the Financial Statements

For the Year Ended 30 June 2019

	Consolidated		Parent	
	2019	2018	2019	2018
	$	$	$	$
19 Trade and Other Payables				
Trade payables	**28,895**	28,047	**13,543**	16,604
GST payable	**48,852**	63,564	**-**	-
PAYG withholding payable	**3,720**	2,148	**3,720**	2,148
Superannuation payable	**1,420**	1,147	**1,420**	1,147
Other payables	**447**	59	**407**	52
	83,334	94,965	**19,090**	19,951
20 Provisions				
Provision for leave entitlements	**14,150**	7,900	**14,150**	7,900
Provision for community fund programme (i)	**28,428**	20,845	**28,428**	20,845
	42,578	28,745	**42,578**	28,745

(i) Community Fund

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

	Consolidated		Parent	
	2019	2018	2019	2018
	$	$	$	$
Opening community fund balance	**20,845**	24,768	**20,845**	24,768
Contribution by Co-operative	**30,000**	-	**30,000**	-
Contributions by energy retailers	**2,613**	25,100	**2,613**	25,100
Other contributions	**1,260**	2,500	**1,260**	2,500
Interest income	**288**	131	**288**	131
Grants to community groups	**(3,401)**	(9,736)	**(3,401)**	(9,736)
Sponsorships to community groups	**(2,000)**	(1,500)	**(2,000)**	(1,500)
Local benefit program	**(8,982)**	(1,400)	**(8,982)**	(1,400)
Energy fund	**(12,195)**	(19,014)	**(12,195)**	(19,014)
Bank charges	**-**	(4)	**-**	(4)
	28,428	20,845	**28,428**	20,845

Notes to the Financial Statements
For the Year Ended 30 June 2019

	Consolidated		Parent	
	2019	2018	2019	2018
	$	$	$	$

21 Borrowings

Bank Loans				
Bendigo and Adelaide Bank	**1**	1	**-**	-
	1	1	**-**	-

The limit of the bank loan facility from Bendigo and Adelaide Bank at 30 June 2019 was $500,000 (30 June 2018: $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		Parent	
	2019	2018	2019	2018
	$	$	$	$

22 Issued Capital

9,933,110 ordinary shares (2018: 9,956,085)	**9,933,110**	9,956,085	**9,933,110**	9,956,085
Share premium reserve	**8,601**	7,849	**8,601**	7,849
	9,941,711	9,963,934	**9,941,711**	9,963,934

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 2019

22 Issued Capital

	Consolidated		Parent	
	2019	2018	2019	2018
	No.	No.	No.	No.
(a) Ordinary shares				
At the beginning of the reporting period	**9,956,085**	9,975,525	**9,956,085**	9,975,525
Shares issued during the year (i)	**8,525**	12,600	**8,525**	12,600
Shares bought back during the year (ii)	**(31,500)**	(32,040)	**(31,500)**	(32,040)
At the end of the reporting period	**9,933,110**	9,956,085	**9,933,110**	9,956,085

(i) shares issued during the year includes dividends re-invested totalling 5,968 shares (2018: nil).

(ii) shares bought back during the year includes shares where the proceeds on repurchase were donated back to the Co-operative totalling 30,600 shares (2018: nil).

Notes to the Financial Statements

For the Year Ended 30 June 2019

23 Cash Flow Information

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

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Profit for the year	$ **446,559**	$ 563,190	$ **446,559**	$ 755,535
Non-cash flows in profit:				
Depreciation and amortisation	**462,898**	463,005	**1,280**	1,280
Inter-company dividends	**-**	-	**(525,562)**	(836,277)
Dividends gifted back to the Co-op	**(1,072)**	-	**(1,072)**	-
Share capital gifted back to the Co-op	**(30,600)**	-	**(30,600)**	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase)/decrease in accrued income, trade and other receivables	**(27,901)**	(45,530)	**(16,701)**	(1,931)
(Increase)/decrease in property, plant and equipment	**(12,000)**	-	**(12,000)**	-
(Increase)/decrease in inventories	**117,868**	(11,275)	**5,021**	90
(Increase)/decrease in deferred taxes	**76,214**	215,829	**23,919**	(28,420)
(Increase)/decrease in current tax assets	**-**	-	**(147,057)**	-
Increase/(decrease) in trade and other payables	**(11,686)**	16,391	**(2,433)**	(10,796)
(Increase)/decrease in provision for employee entitlements	**6,250**	7,080	**6,250**	7,080
(Increase)/decrease in provision for community fund grants	**7,583**	(3,923)	**7,583**	(3,923)
Cashflow from operations	$ **1,034,113**	$ 1,204,767	$ **(244,813)**	$ (117,362)

Notes to the Financial Statements

For the Year Ended 30 June 2019

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 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Financial Assets				
Cash and cash equivalents	**1,162,878**	1,103,062	**804,554**	1,039,892
Trade and other receivables	**273,745**	246,844	**23,849**	6,631
Other financial investments	**1,089,054**	385,000	**1,089,054**	385,000
Loans to related parties	**-**	-	**8,011,178**	8,447,369
Total financial assets	**2,525,677**	1,734,906	**9,928,635**	9,878,892
Financial Liabilities				
Trade and other payables	**83,334**	94,965	**19,090**	19,951
Borrowings	**1**	1	**-**	-
Total financial liabilities	**83,335**	94,966	**19,090**	19,951

25 Dividends

Dividends were declared and paid during the 2019 financial year of 2.6 cents per share totalling $258,119.

26 Contingent Assets and Liabilities

During the 2019 financial year the Group were awarded a State of Victoria - Department of Environment, Land, Water and Planning grant under the New Energy Jobs Fund of $500,000 towards the development of a 3MW solar PV installation to be co-located with the 4.1MW wind turbines at Leonards Hill in Victoria. The receipt of the grant is conditional upon the completion of relevant milestones and enexpended grant funds are refundable to the State of Victoria. As the grant funding is condition on successful completion of the milestones the amount has not been brought to account as income in the financial report.

In the opinion of the Directors, the Co-operative did not have any other contingent assets or liabilities at 30 June 2019.

27 Key Management Personnel Compensation

The total remuneration paid to key management personnel of the Co-operative and its controlled entities was $44,489 (2018 $35,916).

Notes to the Financial Statements

For the Year Ended 30 June 2019

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

		2019	**2018**
	Country of Incorporation	**Percentage Owned (%)***	**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 32, 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 2019 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: ....
Graham White

Director: ....
David Perry

Dated: 29/08/19

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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 2019, 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 2019 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 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.

The directors are responsible for overseeing the Co-operative financial reporting process.

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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

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: 29th August 2019

02

2019 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 2019

Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

Contents

For the Year Ended 30 June 2019

Directors' Report

For the Year Ended 30 June 2019

Your directors present their report on Leonards Hill Wind Operations Pty Ltd for the financial year ended 30 June 2019.

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 during the financial year were to:

- operate the wind farm comprising two wind turbines located at Leonards Hill in Victoria, and
- optimise wind farm operations.

During the year the Company undertook to develop an approximately 3MW solar PV system to be co-located with the wind turbines at Leonards Hill in Victoria with the support of a grant from the State of Victoria - Department of Environment, Land, Water and Planning.

No other 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 for the year after providing for income tax amounted to $525,562 (2018: profit of $643,929).

Dividends paid or recommended

Dividends were paid to the parent entity totalling $525,562 during the year (2018: $836,276).

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.

Directors' Report

For the Year Ended 30 June 2019

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 has fallen during the year due to a change in the application of the shortfall mechanism for CER's carried forward. This change, which came into effect in October 2018, has resulted in liable parties (electricity retailers) delaying the purchase of large scale generation certificates (LGC's) for up to a permissable 3 years. The LGC market response has been a 50% reduction in prices from around $80 to $40 per LGC. The directors believe that it is likely that the LGC price will continue to decrease significantly over the coming years.

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 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 the company.

Proceedings on behalf of the company

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

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

Directors' Report

For the Year Ended 30 June 2019

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2019, in accordance with section 307C of the *Corporations Act 2001*, has been received and can be found on page 4 of the financial report.

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

Director:..
Graham White

Director:..
David Perry

Dated: 29/08/19

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 2019, there have been:

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

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

PPT Audit Pty Ltd
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PPT Audit Pty Ltd

....
Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat, VIC 3350

Dated:

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 2019

	Note	2019 $	2018 $
Revenue	2	**1,595,937**	1,766,079
Administrative expenses	3	**(22,406)**	(27,459)
Depreciation & amortisation	4	**(461,618)**	(461,725)
Interest	5	**-**	(2,374)
Other operating expenses	6	**(387,000)**	(386,343)
Profit before income tax		**724,913**	888,178
Income tax expense	7	**(199,351)**	(244,249)
Profit for the year		**525,562**	643,929
Other comprehensive income:			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**525,562**	643,929

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 30 June 2019

	Note	2019 $	2018 $
Assets			
Current Assets			
Cash and cash equivalents	8	**358,323**	63,170
Trade and other receivables	9	**253,927**	242,727
Inventories	10	**43,816**	156,663
Total Current Assets		**656,066**	462,560
Non-Current Assets			
Property, plant and equipment	11	**7,624,795**	8,064,394
Total Non-Current Assets		**7,624,795**	8,064,394
Total Assets		**8,280,861**	8,526,954
Liabilities			
Current Liabilities			
Current tax liabilities	12	**199,941**	-
Trade and other payables	13	**68,275**	77,528
Total Current Liabilities		**268,216**	77,528
Non-Current Liabilities			
Deferred tax assets	12	**1,446**	2,036
Borrowings	14	**8,011,179**	8,447,370
Total Non-Current Liabilities		**8,012,625**	8,449,406
Total Liabilities		**8,280,841**	8,526,934
Net Assets		**20**	20
Equity			
Issued capital	15	**20**	20
Total Equity		**20**	20

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2019

	Members Capital $	Retained Profits $	Total $
2019			
Balance at 1 July 2018	**20**	**-**	**20**
Profit attributable to members of the parent entity	**-**	**525,562**	**525,562**
Dividends paid	**-**	**(525,562)**	**(525,562)**
Balance at 30 June 2019	**20**	**-**	**20**
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 or provided for	-	(836,276)	(836,276)
Balance at 30 June 2018	20	-	20

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**1,688,194**	1,716,888
Payments to suppliers and employees		**(413,196)**	(393,797)
Interest received		**3,927**	1,414
Interest paid		**-**	(2,374)
Net cash provided by operating activities	16	**1,278,925**	1,322,131
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant and equipment		**(22,019)**	(14,722)
Net cash used in investing activities		**(22,019)**	(14,722)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net repayments of related party loans		**(961,753)**	(1,300,731)
Net repayments of bank loans		**-**	(88,207)
Net cash used in financing activities		**(961,753)**	(1,388,938)
Net increase in cash and cash equivalents held		**295,153**	(81,529)
Cash and cash equivalents at beginning of year		**63,170**	144,699
Cash and cash equivalents at end of financial year	8	**358,323**	63,170

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2019

The financial statements are for 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) Change in accounting policy

Financial Instruments - Adoption of AASB 9

The Company has adopted AASB Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017.

As part of the adoption of AASB 9, the Company adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for in the current year.

The key changes to the Company's accounting policies and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively.

Classification of financial assets

The financial assets of the Company have been reclassified into the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost
- Fair value through profit and loss (FVTPL)
- Fair value through other comprehensive income - equity instruments (FVOCI - equity)
- Fair value through other comprehensive income - debt instruments (FVOCI - debt

1 Summary of Significant Accounting Policies

There were no changes to carrying amounts as a result of the adoption of AASB 9.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost, contract assets and fair value through other comprehensive income. This has resulted in earlier recognition of credit losses (bad debt provisions).

Revenue from Contracts with Customers - Adoption of AASB 15

The Company has adopted AASB 15 Revenue from Contracts with Customers for the first time in the current year with a date of initial application of 1 July 2017.

There is no material change to accounting policies as a result of the adoption of AASB 15.

(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

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.

(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.

1 Summary of Significant Accounting Policies

(e) Property, plant and equipment

Plant and equipment

Plant and equipment are measured on the cost basis. 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 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.

(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.

(g) Financial instruments

Classification

On initial recognition the Company classifies its financial assets, according to the basis on which they are measured, at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Notes to the Financial Statements
For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies

(g) Financial instruments

Amortised cost

Assets measured at amortised cost are financial assets where:

- the busines model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasosable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Leonards Hill Wind Operations Pty Ltd
ABN 86 141 239 894

Notes to the Financial Statements
For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies

(g) Financial instruments

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

- Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expeccted loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expenses. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

- Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, as estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

(h) Trade and other payables

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

(i) Employee benefits

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

1 Summary of Significant Accounting Policies

(j) 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.

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.

1 Summary of Significant Accounting Policies

(k) Leases

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

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

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

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

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

(l) Revenue and other income

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

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

Sale of goods

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

Provision of services

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

Notes to the Financial Statements
For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies

(m) Borrowing costs

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

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of 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.

(o) 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 2019

	2019	2018
	$	$
2 Revenue and Other Income		
Operating revenue		
Electricity	**1,014,556**	887,591
Large-scale Generation Certificates	**646,173**	834,475
Transmission use of system income	**43,666**	29,767
Movement in inventory of Large-scale Generation Certificates	**(112,847)**	11,365
	1,591,548	1,763,198
Other revenue		
Interest income	**3,644**	1,836
Community fund contributions from retailers	**745**	1,045
	4,389	2,881
	1,595,937	1,766,079

3 Administration expenses

	2019	2018
Accounting fees	**5,565**	10,785
Audit fees	**2,700**	2,625
Bank charges	**807**	1,429
Bookkeeping	**3,708**	3,807
Management accounting expense	**8,963**	8,475
Office supplies & information technology	**400**	84
Secretarial fees	**263**	254
	22,406	27,459

4 Depreciation and amortisation

	2019	2018
Depreciation	**461,618**	461,725
	461,618	461,725

5 Interest

	2019	2018
Interest paid	**-**	2,374
	-	2,374

Notes to the Financial Statements
For the Year Ended 30 June 2019

	2019	2018
	$	$
6 Other operating expenses		
Insurance	**33,476**	31,436
Licence fees	**1,225**	1,225
Municipal payment in lieu of rates	**16,165**	16,382
Office rent	**2,210**	2,080
Wind farm rent	**26,097**	25,535
Wind farm operation	**307,827**	309,685
	387,000	386,343

7 Income Tax Expense

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

	2019	2018
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2018: 27.5%)	**199,351**	244,249
Income tax expense	**199,351**	244,249

	2019	2018
8 Cash and Cash Equivalents		
Operating accounts	**358,323**	63,170
	358,323	63,170
9 Trade and Other Receivables		
Trade receivables	**225,936**	208,990
Accrued interest income	**140**	423
Prepayments	**27,851**	33,314
	253,927	242,727
10 Inventories		
Large-scale Generation Certificates	**43,816**	156,663
	43,816	156,663

Notes to the Financial Statements
For the Year Ended 30 June 2019

	2019	2018
	$	$
11 Property, Plant and Equipment		
Wind Farm Development, Compliance & Project Management		
At cost	**326,870**	326,870
Accumulated depreciation	**(84,366)**	(71,291)
	242,504	255,579
Wind Farm Construction		
At cost	**11,154,801**	11,154,801
Accumulated depreciation	**(3,807,971)**	(3,361,933)
	7,346,830	7,792,868
Office and other equipment		
At cost	**11,254**	10,616
Accumulated depreciation	**(6,136)**	(3,631)
	5,118	6,985
Future Energy Generation Projects		
At cost	**30,343**	8,962
	30,343	8,962
Total property, plant and equipment	**7,624,795**	8,064,394

(a) Movements in carrying amounts of property, plant and equipment

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 2019					
Balance at the beginning of year	**255,579**	**7,792,868**	**6,985**	**8,962**	**8,064,394**
Additions	**-**	**-**	**638**	**21,381**	**22,019**
Depreciation expense	**(13,075)**	**(446,038)**	**(2,505)**	**-**	**(461,618)**
Balance at the end of the year	**242,504**	**7,346,830**	**5,118**	**30,343**	**7,624,795**

Notes to the Financial Statements
For the Year Ended 30 June 2019

	2019 $	2018 $
12 Tax assets and liabilities		
Current Tax Liabilities		
Current tax liabilities	**199,941**	-
	199,941	-
Deferred Tax Liabilities		
Deferred tax liabilities comprise:		
- Difference in accounting and tax depreciation rates	**1,407**	1,920
- Income not assessable until received	**39**	116
	1,446	2,036
	201,387	2,036

	2019 $	2018 $
13 Trade and Other Payables		
Trade payables	**15,352**	11,444
GST payable	**52,883**	66,078
Other payables	**40**	6
	68,275	77,528

	2019 $	2018 $
14 Borrowings		
Loans from related entity:		
Hepburn Community Wind Park Co-operative Ltd	**8,011,178**	8,447,369
Bank loans:		
Bendigo & Adelaide Bank Ltd	**1**	1
	8,011,179	8,447,370

The limit of the bank loan facility from Bendigo & Adelaide Bank Ltd at 30 June 2019 was $500,000 (30 June 2018: $500,000).

The Bendigo & Adelaide Bank Ltd holds the following security in relation to the bank loan facility:

- Registered Mortgage Debenture over Leonards Hill Wind Operations Pty Ltd.
- Unlimited Guarantee and Indemnity from Hepburn Wind Park Co-operative Ltd.
- Mortgage of Lease incorporating right of access over property situated at Leonards Hill, Victoria.
- Registered Charge over Hepburn Community Wind Park Co-operative Ltd.

Notes to the Financial Statements
For the Year Ended 30 June 2019

	2019 $	2018 $
15 Issued Capital		
20 ordinary shares (2018: 20 ordinary shares)	**20**	20
	20	20

16 Cash Flow Information

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

	2019 $	2018 $
Profit for the year	**$ 525,562**	$ 643,929
Non-cash flows in profit:		
Depreciation and amortisation	**461,618**	461,725
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(11,200)**	(43,598)
(Increase)/decrease in inventories	**112,847**	(11,365)
Increase/(decrease) in trade and other payables	**(9,253)**	27,191
- increase/(decrease) in income taxes payable	**199,941**	-
- increase/(decrease) in deferred taxes payable	**(590)**	244,249
Cashflow from operations	**$ 1,278,925**	$ 1,322,131

17 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:

	2019 $	2018 $
Financial Assets		
Cash and cash equivalents	**358,323**	63,170
Trade and other receivables	**253,927**	242,727
Total financial assets	**612,250**	305,897
Financial Liabilities		
Trade and other payables	**68,275**	77,528
Borrowings	**8,011,179**	8,447,370
Total financial liabilities	**8,079,454**	8,524,898

Notes to the Financial Statements
For the Year Ended 30 June 2019

18 Dividends

Dividends were declared and paid to the parent entity during the 2019 financial year of totalling $525,562 (2018: $836,276).

19 Contingent Liabilities

In the opinion of the Directors, the company did not have any contingent assets or liabilities at 30 June 2019.

20 Related Party Transactions

Related Parties

The company'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.

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.

21 Company Details

The registered office and principal place of business of the Company is:
Leonards Hill Wind Operations Pty Ltd
13 Knox Street
Daylesford Victoria 3460

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 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 2019 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: ....
Graham White

Director: ....
David Perry

Dated: 29/08/19

PPT AUDIT

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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 2019, 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 2019 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 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.

The directors are responsible for overseeing the Company's operations.

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

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: 29th August 2019

Hepburn Wind
Annual Report 2019