

hepburnwind



Photo by Karl von Moller

Hepburn Community Wind Park Co-operative Limited

Annual Report
for the year ended 30 June 2014

Open letter to Government



6 October 2014

Dear Members of Parliament,

We write on behalf of the 1993 proud member-shareholders of Australia's first community-owned wind farm.

Our community has set a benchmark for how communities across our nation can positively contribute to Australia's energy future. With massive volunteer effort and nearly \$10m of community capital, our members have shown that regional communities are ready and able to embrace the opportunities presented by clean energy.

Our 4.1 MW wind farm produces more electricity annually than used by the houses in nearby Daylesford and much of the surrounding area. Most of our shareholders are local to the area and are 'mum and dad' investors who have never owned shares before. We were drawn to a business model that has the potential to build our local economy, strengthen the social fabric of our community and reduce the pollution in our environment.

Together we made personally significant investments relying on the assurances that all major political parties were, at the time, united in their support for pricing carbon pollution and a stable Renewable Energy Target (RET).

All along we were encouraged by a wide spectrum of politicians to develop a new business model for regional Australia.

In 2012, 720 Hepburn Wind supporters wrote to the Climate Change Authority in support of strengthening the Renewable Energy Target. Earlier this year 1427 supporters wrote in to the non-statutory Warburton Review, again voicing our support for the RET. In both reviews, we were joined by many thousands of Australians who want to see more renewable energy, not less.

The Warburton Report failed to establish any justification that any change to the RET is needed. We call on all Members of Parliament to distance themselves from the flawed report and restore the bipartisan support for clean energy that goes back to Prime Minister John Howard's and the Leader of the Opposition's commitment to a renewable energy target in November 1997.

Our community's voice is loud and clear. The current political impasse has already directly impacted our community enterprise and risks destroying all that we have accomplished.

As an investment of great personal significance, our members have watched the legislative repeal of the carbon price with great concern. We continue to watch closely as our project is buffeted by the political to-ing and fro-ing around the RET.

Rest assured that we will strengthen our call for compensation should our investment be undermined.

We extend an invitation to all members of Parliament to visit our community and see first-hand what a committed community has achieved and what is at risk by the current political impasse.

Respectfully,

Hepburn Wind

t: +61 3 5348 6760
po box 225 daylesford
vic 3460 australia

abn: 87 572 206 200 | reg no: G0003442Y
info@hepburnwind.com.au
www.hepburnwind.com.au

As part of our ongoing efforts to speak up for our members, we sent the the above letter to all 151 members of the Federal Parliament. (Photo by Bernard Winter)

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Performance highlights

Increased generation by 4.5%

Our turbines enjoyed stronger winds resulting in a net generation increase of 491 MWh to 11,300 MWh for the year.

Total expenses reduced by 13%

We reduced expenses reduced by \$87,445 with further expense reductions implemented for FY2015.

Engaged with policy uncertainty

We made submissions to the RET Review and the Senate committee reviewing the repeal of the carbon price. We enabled 1427 supporters to make submissions to the RET Review and arranged a forum for members to meet with the review panel in Daylesford. Invited each member of Federal Parliament to visit our wind farm.



Performance summary

	FY2014	FY2013	Variance	Variance %
Revenue and income				
Electricity sales	\$590,667	\$639,258	-\$48,591	-8%
Renewable energy certificate sales	\$329,107	\$405,612	-\$76,505	-19%
Combined generation revenue	\$919,774	\$1,018,494	-\$125,096	-12%
Co-marketed product revenue	\$21,650	\$16,963	\$4,687	28%
Market value				
Electricity generated (per MWh)	\$52.35	\$59.06	-\$6.71	-11%
Certificates created	\$31.40	\$35.69	-\$4.29	-12%
All-in value	\$83.75	\$94.75	-\$11.00	-12%
Outgoings and expenses				
Operating expenses (1)	\$448,169	\$479,883	-\$31,403	-7%
Community Fund, sponsorships and local benefits (2)	\$27,382	\$44,005	-\$17,063	-38%
Finance expenses	\$93,983	\$132,962	-\$38,979	-29%
Total outgoings	\$569,534	\$656,979	-\$87,445	-13%
Financial performance				
Group EBITDA	\$495,224	\$539,402	-\$44,179	-8%
EBITDA per share	4.99¢	5.44¢	-0.45¢	-8%
Loan outstanding	\$1,515,000	\$1,945,000	-\$430,000	-22%
Group earnings before depreciation (3)	\$401,241	\$406,440	-\$5,199	-1%
Depreciation	\$418,527	\$424,385	-\$5,858	-1%
Net profit	(\$17,286)	(\$17,945)	\$659	-4%
Operations				
Wind farm availability (4)	95.7%	96.9%	1.2%	-
Wind farm unscheduled outage (hours)	378.6	276.5	102.1	36.9%
Average outage duration (hours)	8.5	5.4	3.1	58.2%
Wind speed average both turbines (m/s)	7.3	7.06	0.2	2.8%
Gale (T1) average wind speed (m/s)	7.5	7.25	0.2	2.9%
Wind farm generation (MWh)	11,300	10,809	491	4.5%
Capacity factor	31.5%	30.1%	1.4%	-
Utilisation factor (proportion of year generating)	89.6%	89.7%	0.1%	-

The average 'all-in' price received for electricity we generated fell from \$94.75 to \$83.75 per MWh.

Lower interest rates and a \$430,000 reduction in debt resulted in a 29% reduction in finance expenses. In addition, the co-operative implemented cost-saving measures, resulting in a 7% reduction in operating expenses, despite significantly greater maintenance costs with the turbines coming out of warranty. Many of the cost-saving measures implemented during the year will yield greater savings in the coming financial year.

In the context of the withdrawal of the planned capital return, the board made the decision to reduce the Community Fund to \$27,382 of benefits during the year.

The impact of changed market conditions was significantly offset by cost-saving measures and improved generation. As such, the co-operative's earnings before interest, tax, depreciation and amortisation (EBITDA) held up well at 4.99¢ in comparison with 5.44¢ in FY2013.

Net profit continues to be significantly driven by the significant depreciation of the wind farm, with an almost unchanged net loss of \$17,286.

1. Does not include the Community Fund.
2. Includes contribution from Red Energy and wind farm tours.
3. 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.
4. Proportion of the year that the grid was available and the turbines were capable of generation. Periods where one turbine was out of service are weighted accordingly.

A message from the board

The board of directors are pleased to present Hepburn Wind's annual report for the 2013/14 financial year.

FY2014 marked the completion of our third year of generation and while our turbines had their best year yet, we were presented with a new set of challenges. The longstanding support for clean energy across the political spectrum fractured and the energy markets responded accordingly, resulting in a significant reduction in our income.

The board's priority was to tackle this new development head-on, reducing our debt and cutting costs across all areas of our operations.

These changes saw us simplify our staffing structure to operate without a CEO from April 2014. We take this opportunity to thank Tracy Anthony and acknowledge her major contribution in that role. Tracy continues as our Wind Farm Operator. We also recognise how we, the board and other members of the executive, have stepped up to respond to the new challenges.

We haven't taken the challenges lying down. Throughout the year we helped our members and supporters to engage in the national discussion and collectively we have been major contributors to the strong community voice in support clean energy.

During the reporting period we welcomed new board member Candy Broad to the team and were pleased to see long-term director Daniel Magasanik re-elected for another term. We farewelled Dan Cass at the completion of his term and we thank Dan for his energy and strategic contributions to our co-operative.

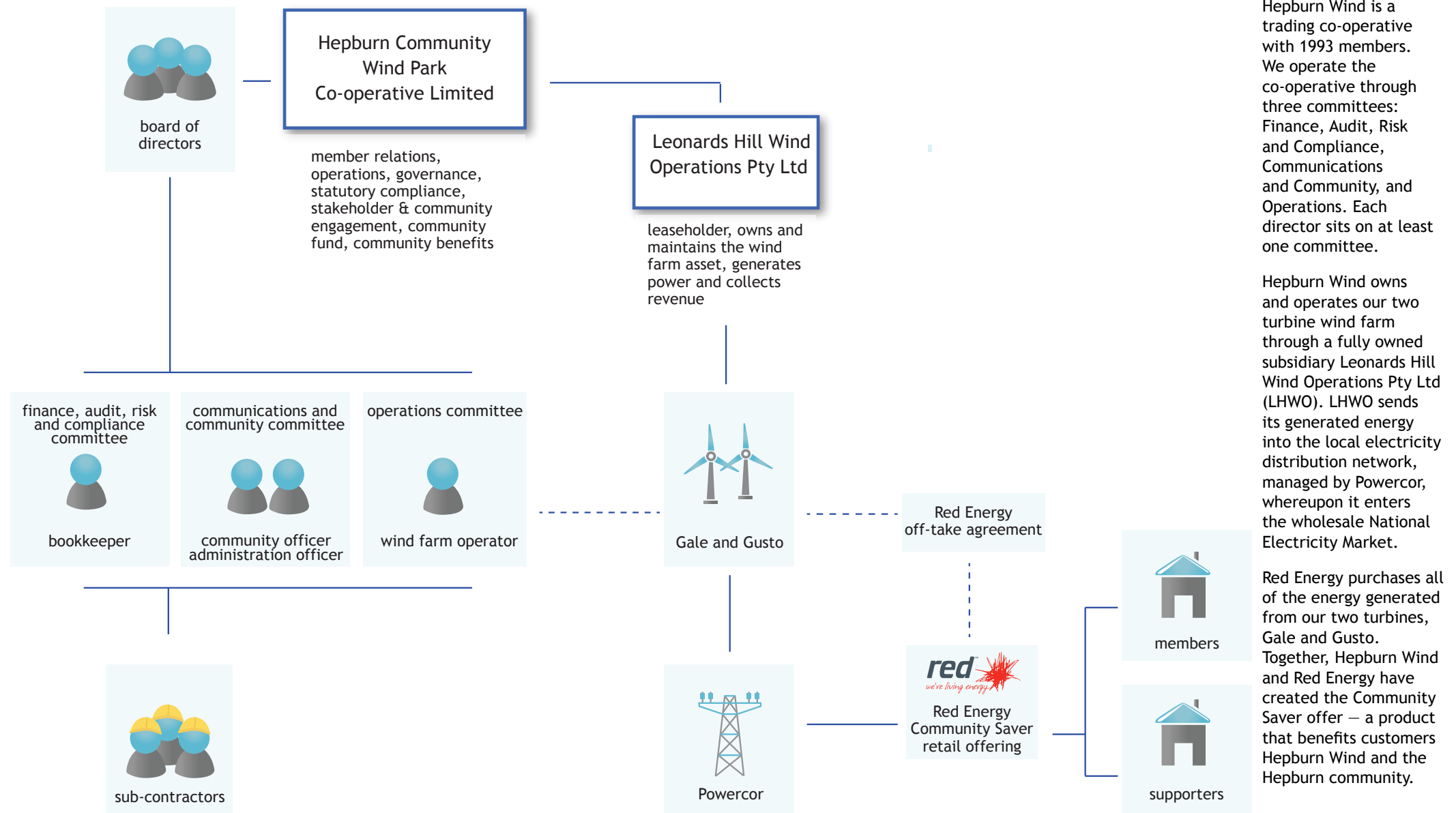
We also extend our gratitude to our landlords, Ron and Nathalie Liversidge for re-negotiating a mutually beneficial lease extension for the wind farm in February 2014.

We continue to focus on keeping our wind farm in top shape, building revenues in other areas, maximising our member satisfaction and playing our part in strengthening our community.



Board and executive FY2014: Jessica Beavis (Administration Officer), Tracy Anthony (Wind Farm Operator), Simon Holmes à Court, Mitch Watson, John Edgoose, Candy Broad, Tony Gill (Chairperson), Daniel Magasanik, Taryn Lane (Community Officer) and David Perry.

Our structure



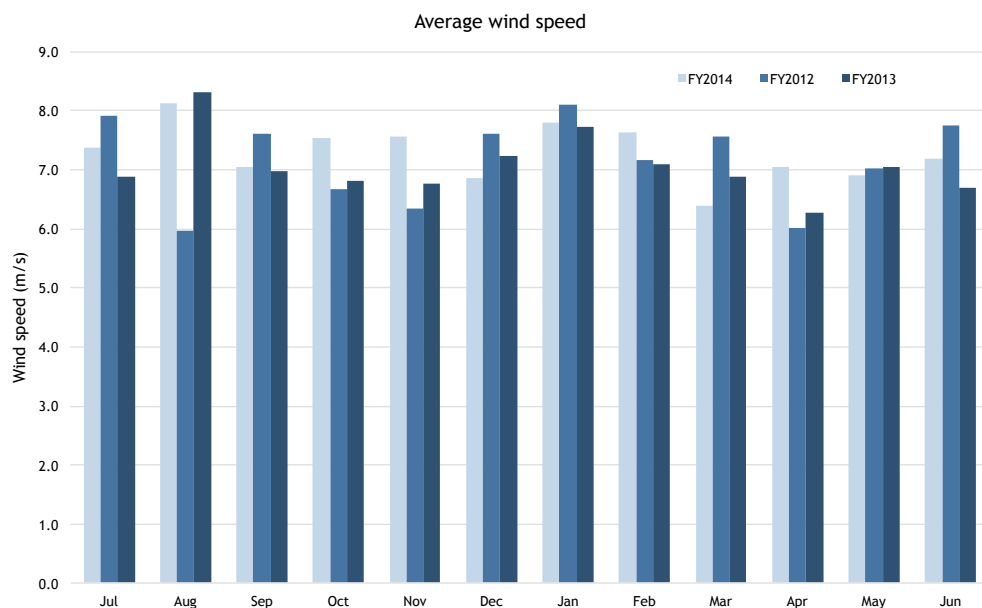
Hepburn Wind is a trading co-operative with 1993 members. We operate the co-operative through three committees: Finance, Audit, Risk and Compliance, Communications and Community, and Operations. Each director sits on at least one committee.

Hepburn Wind owns and operates our two turbine wind farm through a fully owned subsidiary Leonards Hill Wind Operations Pty Ltd (LHWO). LHWO sends its generated energy into the local electricity distribution network, managed by Powercor, whereupon it enters the wholesale National Electricity Market.

Red Energy purchases all of the energy generated from our two turbines, Gale and Gusto. Together, Hepburn Wind and Red Energy have created the Community Saver offer – a product that benefits customers Hepburn Wind and the Hepburn community.

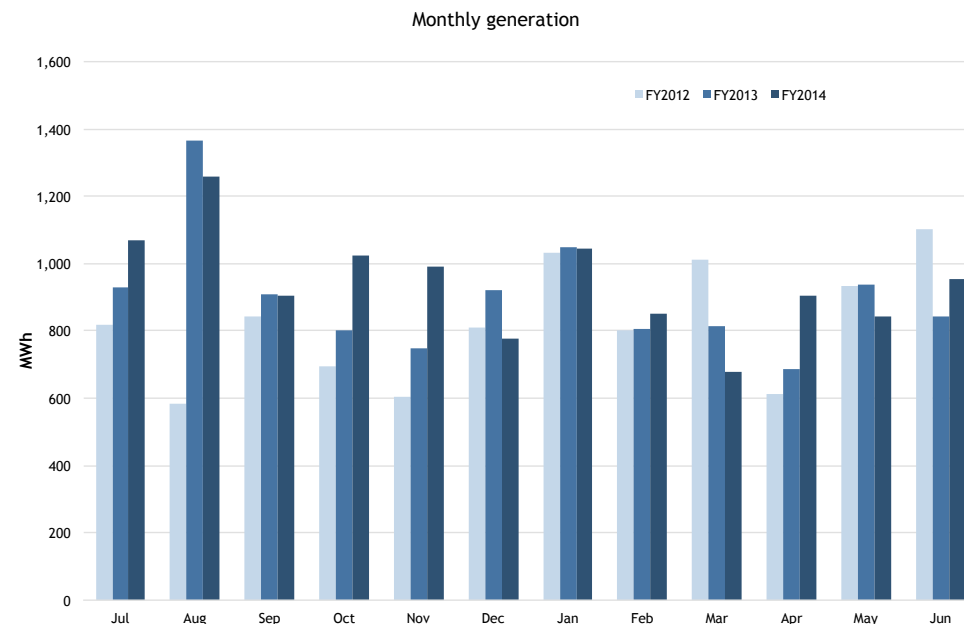
Operations

Our wind farm sent out 11,300 MWh in FY2014, our best result thus far. Wind speeds were slightly up on last year, consistent with the long-term expected average of 7.3 m/s. As usual, Gale (T1) performed slightly better than Gusto (T2), being closer to the peak of Leonards Hill.



Availability was lower in FY2014, with 134 hours of unscheduled downtime, compared with 99 hours for the previous period. Such downtime is commonly the result of disturbances to the local distribution network (such as tree branches hitting power lines) and varies with weather and season.

We continue to refine our operations processes to ensure a speedy resolution to such faults and maximise availability into the future. Our focus for the coming year will be to add redundancy to our operations capabilities, improve documentation, and refine our maintenance budget and schedule in-line with industry best practice.



The health and safety of our staff, contractors, volunteers and visitors remains our highest priority. We are always striving to improve our policies and procedures, ensuring they accord with best practice and are appropriate for the size of our organisation. We recorded no WorkCover-notifiable incidents in the past financial year.

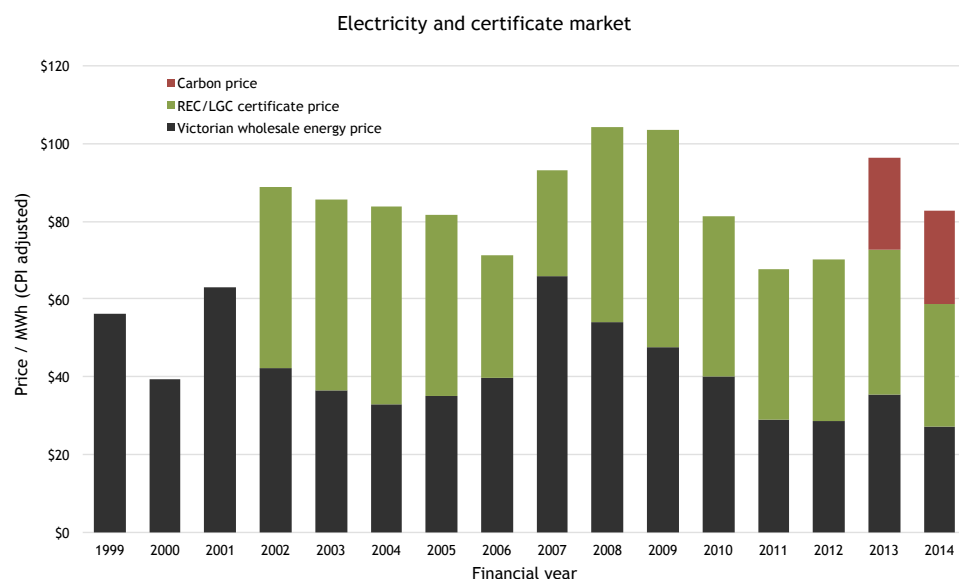
We strive to achieve zero unresolved complaints related to the wind farm and we are pleased to report that during the year no complaints were received.

The RET and the Carbon Pricing Mechanism

In February 2014, less than 14 months after the independent Climate Change Authority review, the Prime Minister's office began a non-statutory and widely criticised review of the Renewable Energy Target (RET).

The Carbon Pricing Mechanism, introduced in July 2012, had resulted in an increase in the wholesale price of electricity, and for a time, the 'all-in' energy price (value of energy plus renewable energy certificates) met the design goal of the RET.

The carbon price contributed an estimated \$248,607 to our bottom line during FY2013 and \$272,895 in FY2014. In 17 July 2014 the Federal Government abolished the price on carbon after just two years of operation.



The repeal of the carbon price, uncertainty around the RET, the softening electricity demand and excess supply particularly from coal generators operating beyond their intended life and without effective carbon emissions controls have resulted in market prices considerably below those reasonably forecast in the early stages of our project.

Our response

In response to the unfolding business threat, the co-operative consolidated operations and tightened financial management. All surplus funds were directed to repaying debt.

In November 2013, we made a submission to the Federal senate committee reviewing the repeal of the carbon price. In May 2014, Hepburn Wind put our views forward in a considered and somewhat technical submission to the Renewable Energy Target review panel. We called on the panel to recognise that the non-statutory review was damaging our community enterprise and the fledgling community energy sector. Our submissions are available on our website under hepburnwind.com.au/submissions

We enabled more than 1427 supporters of Hepburn Wind to write to the government's RET review panel via our website. This strong showing prompted a visit by review panel members Dick Warburton and Matt Zema on 10 June. After briefly visiting Gale and Gusto, the panel members attended a community forum at the Daylesford Neighbourhood Centre where community members explained why our community enterprise and the RET are both important to our community.

While we hope for a return to the bipartisan support for renewables that existed at the time our community invested \$10 million in our project, if the Federal Government cuts the Renewable Energy Target, we will vigorously pursue adequate arrangements from the Government that protect our collective investment.

Outlook

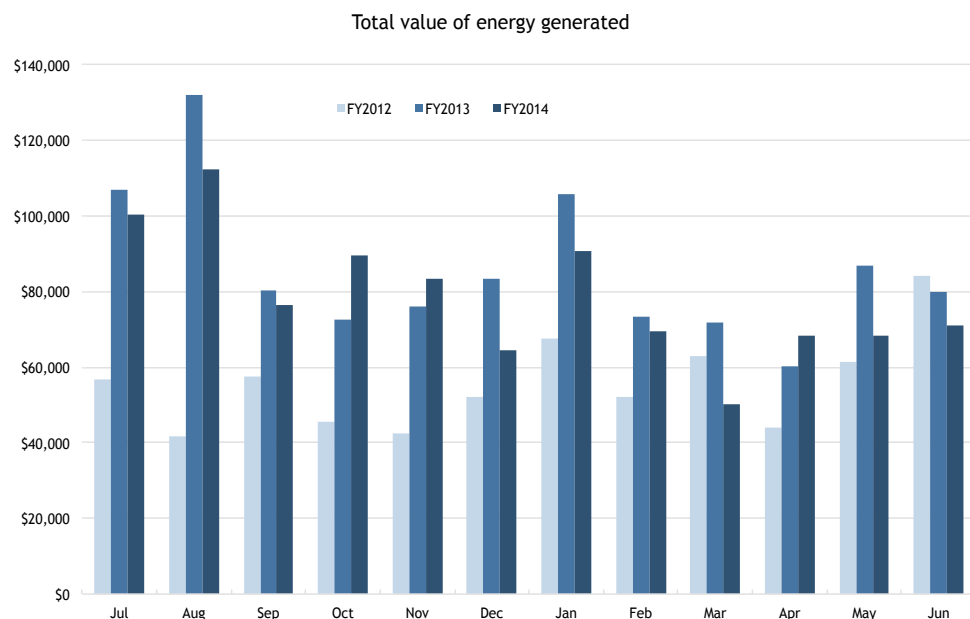
The co-operative is bracing for another year of challenging market conditions. Australia's energy policy and politics are at their least favourable settings since our project was conceived.

The current outlook for all-in prices could well drop to \$60 or below. Under these conditions, our focus must be on paying down debt and reducing expenses, whilst ensuring that we have sufficient reserves to manage any unplanned mechanical issues. In light of this, the co-operative's current intention is to postpone making financial returns to members while market conditions for renewable energy are this low.

Expense management

Sales revenue fell 12% as a result of deteriorating market conditions partially offset by turbine output.

In anticipation of declining market conditions — a trend that is expected to be even more severe in FY2015 — we have implemented a number of measures.



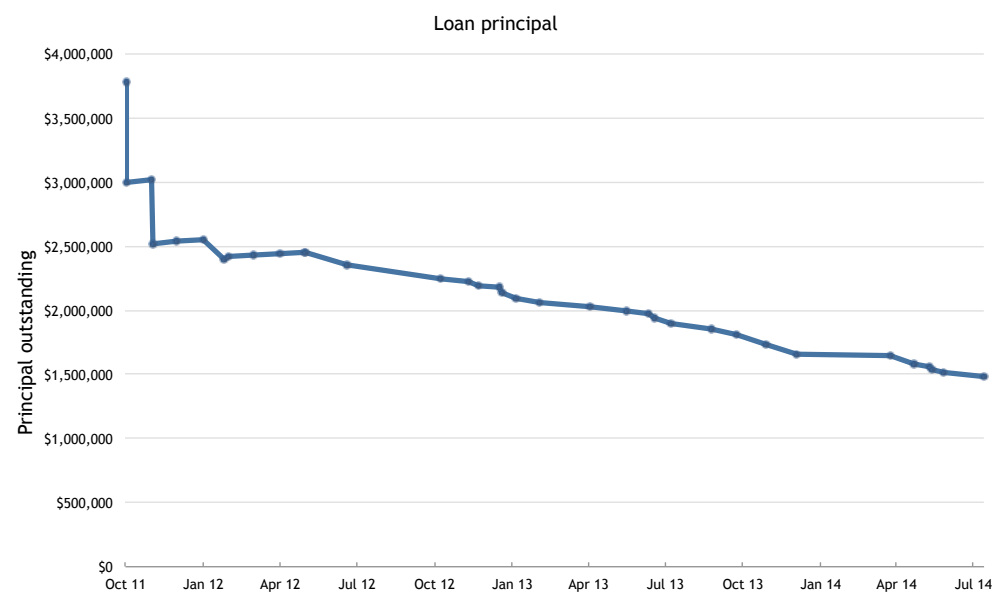
We have restructured our staffing to ensure a lower cost and more focussed delivery of our core operations. We are transitioning all non-operational activities, such as wind farm tours, events and the Community Fund to be self-funding. We have reduced our office lease costs by sharing our office space and we have negotiated lower fees for a number of administrative services.

In addition, we continue to aggressively pay down our loan with our banking partner Bendigo and Adelaide Bank, resulting in lower interest costs.

Debt management

At our 2013 AGM, we announced a cash surplus from operations and our intention to return some of it to members in the form of a share buy-back. Our members passed an enabling rule change at our AGM. The board supported this process in recognition of the co-operative's positive financial performance in the previous financial year and the importance of delivering responsible returns to our membership.

However, in the months after the AGM, the outlook for the Australian renewable energy sector deteriorated significantly. Negative political signals and the consequent market reaction forced us to reconsider our short-term plans. As such, we made the difficult decision to withdraw the planned return of capital and instead direct the funds to pay down debt to ensure that the co-operative is well positioned for the changes ahead.



Membership

Hepburn Wind membership stood at 1993 at 30 June. During the year we facilitated 24 share transfers and produced five 'member-only' e-newsletters.

On Saturday, 23 November, 2013, more than 100 members gathered at the Daylesford Secondary School for our sixth AGM. The board presented the 2012/13 annual report, shared our perspectives on the challenges and opportunities ahead and answered questions from members. Members passed all six rule changes recommended by the board and appointed Prowse Perrin & Twomey as the group's ongoing auditor.

Together we were privileged to be addressed by Professor Tim Flannery, one of Australia's foremost climate science experts. Professor Flannery gave a compelling presentation on the latest climate science developments and the work of the new Climate Council and commended our community for our local efforts and national leadership.



Wider community engagement

Our email list connects us to 5984 supporters and we sent five e-newsletters to our supporter list during the financial year. We continue to be active in social media with 2404 Twitter followers and 1286 Facebook 'likes'.

During the year we presented at 12 conferences at no cost to the co-operative. Of note, Community Officer, Taryn Lane presented at a community energy conference in Fukushima, Japan.

In June 2014 some 350 delegates gathered at the Inaugural Australian Community Energy Congress over four days in Canberra to learn how to build their own renewable energy projects.



Hepburn Wind was a leading light at the congress with Founding Chair Simon Holmes à Court presenting as a keynote speaker and featuring in three panel discussions. Community Officer Taryn Lane was on the organising committee and also presented in three workshops. It was heartening to see that from our one small project, tens of thousands of Australians are now passionate about building their own community energy enterprises.

We continue to collaborate with a number of other groups passionate about community energy, including Embark, The Australian Wind Alliance, Yes2Renewables and The Coalition for Community Energy.

Red Energy partnership

This financial year marked our third-year of working with our energy partner Red Energy. With 400 customers currently, Red Energy will roll out a marketing campaign over the coming year to increase the subscription. The planned campaign to promote the Community Saver product is expected to reduce budgetary pressures and still permit the co-operative to fulfill our community development goals.

Red Energy also sponsored a special gift to us to honour our World Wind Energy Award for best global project. The live generation sign, built at the gate to the wind farm, will showcase our cumulative generation. A big team of local creative and technical supporters worked on it for many months and we look forward to launching it in the coming financial year.

We encourage all Victorian members and supporters who haven't already made the switch to the Community Saver to sign up at redenergy.com.au/hepburnwind

Community fund

The Hepburn Wind Community Fund is a key part of our community enterprise model and encompasses our local benefit-sharing programme, community grants and sponsorships.

The Fund delivers additional benefits in the form of our energy affordability programme and a gift of equity in the wind farm on offer to the 65 households in the area neighbouring the wind farm.

To date, our grants have enabled 36 projects in and around our community. Most of our Round Three community grant projects were rolled out during the year.

Our favourites included a collaboration between the Cemetery Trust and the Daylesford Men's Shed to deliver seats to our local Franklinford Historical Cemetery. The cemetery dates back to 1842 and now has new locally made seats.

The Trentham Sustainability Group's renewable energy project enabled Trentham and the surrounding district to become more energy self-reliant and to build greater community energy resilience. The project has mobilised and trained volunteers to conduct energy assessments and increased community engagement and interest in local energy solutions and household retrofits.

In November 2013, the Melbourne Chamber Orchestra delivered a highly successful weekend of chamber music in Daylesford. A public chamber orchestra performance in the Daylesford Town Hall was attended by 110 people and featured the music of Elgar, Barber, Benjamin Martin, Schubert and Mozart. A second event, a chamber music dinner at Frangos & Frangos, saw over 50 attendees enjoying a quintet performing excerpts by Dvorak, Schubert and Mozart.

Another grant helped St. Michael's School in Daylesford complete their indigenous garden. Members of the Dja Dja Wurrung clan led the children in a day of cultural education and activities so that the children would understand the garden's linkage with the traditional owners of the area.

Our benefit-sharing program is topped up by our retail partner, Red Energy. Every household that signs on to the Community Saver (Red Energy and Hepburn Wind's joint offering) increases the impact we have in the local area.

Round Four of our Community Grants Programme will be announced in late 2014.

Significant items subsequent to preparation of the Statutory Accounts

On 25 August 2014, REI Pty Ltd, formerly known as Future Energy Services, a company owned and operated by David Shapero, commenced court proceedings against Hepburn Wind in relation to the Project Transfer Agreement executed by the parties in June 2008.

Hepburn Wind sought and continues to seek resolution including by mediation. Hepburn Wind will defend the proceedings. Each party asserts an outstanding claim (or claims) against the other. It is expected that the case will be finalised by April 2015.

Acknowledgements

Hepburn Wind relies on relationships with many organisations.

We are particularly grateful to Ron and Nathalie Liversidge, Red Energy, Senvion Australia (formerly REpower Australia), Bendigo and Adelaide Bank, Bleyer Lawyers, Powercor, Montimedia, Laser Electrical, Prowse, Perrin & Twomey Accountants, Heinz & Partners Lawyers, Ghostpatrol, Marsh Insurance Brokers, DNV GL (formerly GL Garrad Hassan), Marshall Day Acoustics, Clean Energy Council, Latitude Group, Security Transfer Registrars, Designscape, Embark and countless others who have provided advice, reduced fees or support in other ways.

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

Financial Statements

For the Year Ended 30 June 2014

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

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30 June 2014

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Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

Directors' Report

30 June 2014

Your directors present their report, together with the financial statements of the Group, being the Co-operative and its controlled entities, for the financial year ended 30 June 2014.

Directors

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

Names	Position	Elected/Resigned
Candy Broad	Director	Elected 23 November 2013
Dan Cass	Director	Elected 30 March 2011 Retired 23 November 2013
John Edgoose	Director	Elected 23 March 2013
Anthony Gill	Chairperson	Appointed 14 September 2012 Elected 23 March 2013
Simon Holmes à Court	Director	Elected 18 July 2007 Re-elected 6 November 2011
Daniel Magasanik	Director	Elected 28 April 2010 Re-elected 23 November 2013
David Perry	Director	Elected 6 November 2011
Mitch Watson	Director	Elected 23 March 2013

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 2014, the Group employed three staff members:

- Tracy Anthony (Wind Farm Operator)
- Taryn Lane (Community Officer)
- Jessica Beavis (Administration Officer)

Principal activities

The principal activities of the Group over the course of the financial year were to:

- operate the wind farm, and
- optimise wind farm operations and the Co-operative functions.

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

Operating results and review of operations

The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) were \$495,224 (2013: EBITDA of \$539,403).

After allowing for significant depreciation of capital items and interest expenses the Group's result was a consolidated loss for the year of \$17,286 (2013: consolidated loss of \$17,945).

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

Directors' Report

30 June 2014

Operating results and review of operations continued

The table below summarises the operating result of the Group.

	2014 \$	2013 \$
Income	970,775	1,063,420
Expenses	(475,551)	(524,017)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	495,224	539,403
Interest	(93,983)	(132,962)
Operating profit (loss) before depreciation, amortisation and income tax	401,241	406,441
Depreciation and amortisation	(418,527)	(424,386)
Operating profit (loss) before income tax	(17,286)	(17,945)
Income tax expense	-	-
Consolidated profit (loss) for the year	(17,286)	(17,945)

The EBITDA of \$495,224 (2013: \$539,403) represents earnings of 4.99 cents per share (2013: 5.44 cents per share).

Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made for the 2014 financial year.

The group made an operating profit before depreciation, amortisation and income tax of \$401,241 (2013: \$406,441) representing earnings of 4.04 cents per share (2013: 4.10 cents per share). During the year \$430,000 (2013: \$405,000) was applied against the Co-operative's loan facility.

In November 2013 the directors announced an intention to make a return of capital to members. In the context of a significantly changed political landscape in relation to renewable energy, in April 2014 the directors took the decision to withdraw the planned return of capital and instead direct the funds to pay down debt and position the Group for the anticipated medium-term market conditions.

Significant changes in state of affairs

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

In February 2014 the Federal Government initiated a non-statutory review of the Renewable Energy Target (RET). The market has interpreted this action, and a number of other pronouncements, as evidence of Government antipathy towards renewable energy. The resulting uncertainty around the RET has negatively impacted the renewable energy certificate market.

In anticipation of increasingly adverse market conditions, the Group undertook a range of initiatives to reduce expenses. This included the downsizing of the Group's staff from approximately 2.6 FTE to 1.0 FTE during the year. The Group has also continued to pay down the Bendigo and Adelaide Bank loan at an accelerated rate.

Directors' Report

30 June 2014

After balance date events

After a protracted political process, the Federal Government has dismantled the Carbon Pricing Mechanism. The removal of the carbon price has resulted in a decrease in the market price of electricity.

The Federal Government has also announced its intention to implement new noise monitoring requirements for wind farms. Details have yet to be finalised, but may result in significant additional wind farm operating expenses.

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

Future developments and results

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

Reduced demand and additional supply in the energy markets have resulted in an oversupplied electricity market. This is expected to translate to lower market prices and a likely shakeout of the generation sector as participants withdraw capacity.

Protracted policy uncertainty around the Renewable Energy Target (RET) continues to negatively impact market prices for renewable energy certificates. Influential lobby groups are calling for a significant weakening or even termination of the RET. This uncertainty is subjecting the Group, and other renewable energy generators, to significant regulatory risk.

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

Environmental issues

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

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

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

Indemnification and insurance of officers and auditors

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

Directors' Report

30 June 2014

Proceedings on behalf of the Co-operative

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

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

Information on Directors

Director	Experience	Elected
Candy Broad	<p>Candy is a former Victorian Minister for Energy and Resources, a Graduate of the Australian Institute of Company Directors and holds a Bachelor of Commerce (UWA). Candy was, until recently, the Member for Northern Victoria in the Victorian Parliament.</p> <p>In 2002 Candy delivered a Greenhouse Strategy for Victoria which included increasing the development and use of renewable energy as a priority action. She was founding chair of the National Electricity Market Ministers forum, responsible for introducing retail contestability into energy markets in Victoria and responsible for establishing the Essential Services Commission to ensure compliance with energy consumer protection laws.</p>	Elected 23 November 2013
John Edgoose	<p>John currently runs JWE Renewables an energy consultancy specialising in medium-scale renewable energy solutions for businesses and community groups. Previously, for 14 years he managed a variety of energy efficiency and renewable energy programs for the Victorian Government.</p> <p>Prior to working in the sustainable energy sector John worked for 15 years in the education sector teaching physics, energy and environmental studies including four years as Deputy Director and Director of the remote MLC Marshmead campus near Mallacoota.</p> <p>John holds qualifications in science, education and management, including a Masters of Science in Renewable Energy. He has significant experience undertaking project, financial analysis, due diligence and risk analysis.</p>	Elected 23 March 2013
Anthony Gill	<p>Tony is one of Australia's leading experts on co-operatives. Since 1981, he has worked for various co-operatives, state government agencies and co-operative industry associations, and represented Victoria on the Co-operatives Council of Australia.</p> <p>Tony has extensive experience as a board member. He has been a director of fifteen co-operatives and three companies, and is currently a director of two co-operatives including Hepburn Wind. He has been a resident in the Hepburn Shire since 1991.</p> <p>Special responsibilities: Chairperson</p>	Appointed 14 September 2012

Directors' Report

30 June 2014

Information on Directors continued

Director	Experience	Elected
Simon Holmes à Court	Simon has a broad range of commercial experience, ranging from 'dot com' businesses in Silicon Valley to remote cattle stations in the Northern Territory. Simon has previously been a director of Heytesbury, one of Australia's largest private companies, and is the Chairman of Observant, which designs and manufactures agricultural and environmental management solutions. Simon is the founder and Chairman of Embark, a non-profit company helping communities to own and benefit from their own renewable energy projects.	Elected 18 July 2007
Daniel Magasanik	Daniel was a founding director of the Energy Research and Development Corporation and the co-founder of McLennan Magasanik Associates, a consultancy that specialised in the energy area, and now works part-time with Marsden Jacob Associates. His main interest is the sustainable extraction and conversion of energy. Daniel holds a bachelor degree in chemical engineering from McGill University in Montreal and a PhD from the Illinois Institute of Technology in Chicago. The Magasanik family has a longstanding connection with the Daylesford area through orienteering and a property bordering the Wombat State Forest near Korweinguboora.	Elected 28 April 2010
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 consultant engineer. David and his partner live in Macedon.	Elected 6 November 2011
Mitch Watson	Mitch is a permanent Daylesford resident and local business-owner, with tertiary qualifications in Applied Science and business management. Mitch operates two businesses in the local region, Daylesford Heirloom Farms, which grows and markets rare and old fruit and vegetable seedlings, and Daylesford and Hepburn Mineral Springs Company, which provides customers with a locally produced alternative to imported bottled mineral water, with a focus on sustainability and minimised environmental impact.	Elected 23 March 2013

Directors' Report

30 June 2014

Meetings of directors

During the financial year, 13 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Meetings attended	Meetings eligible to attend
Candy Broad	7	7
Dan Cass	5	6
John Edgoose	12	13
Anthony Gill	13	13
Simon Holmes à Court	12	13
Daniel Magasanik	13	13
David Perry	13	13
Mitch Watson	12	13

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2014, 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: 
Simon Holmes à Court

Director: 
Daniel Magasanik

Dated 15 August 2014

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 2014, 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
Certified Practising Accountants

[Signature]
Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

Dated 14 August 2014

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

Statement of Comprehensive Income For the Year Ended 30 June 2014

	Note	Consolidated		Parent	
		2014	2013	2014	2013
		\$	\$	\$	\$
Revenue	2	970,775	1,063,420	28,976	44,925
Administrative expenses	3(a)	(62,199)	(80,422)	(31,555)	(65,130)
Communications & public meetings	3(b)	(4,311)	(10,758)	(4,218)	(9,973)
Personnel expenses	3(c)	(154,497)	(156,690)	(99,365)	(68,598)
Depreciation & amortisation	3(d)	(418,527)	(424,386)	-	-
Interest	3(e)	(93,983)	(132,962)	-	(960)
Other operating expenses	3(f)	(227,162)	(231,702)	(7,884)	(24,765)
Community contributions	3(g)	(27,382)	(44,445)	(27,382)	(44,446)
Profit (loss) before income tax		(17,286)	(17,945)	(141,428)	(168,947)
Income tax expense	17	-	-	-	-
Profit (loss) for the year		(17,286)	(17,945)	(141,428)	(168,947)
Other comprehensive income:					
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year		(17,286)	(17,945)	(141,428)	(168,947)

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 2014

Note	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	99,462	156,257	22,733
Trade and other receivables	5	134,717	155,058	16,707
Inventories	6	67,576	46,426	4,843
Other assets	7	-	2,171	-
TOTAL CURRENT ASSETS		301,755	359,912	44,283
NON-CURRENT ASSETS				
Investments in subsidiaries	8	-	-	20
Other financial assets	9	-	-	8,915,210
Property, plant and equipment	10	9,699,569	10,114,230	-
Intangible assets	11	1,016	5,002	-
TOTAL NON-CURRENT ASSETS		9,700,585	10,119,232	9,034,670
TOTAL ASSETS		10,002,340	10,479,144	9,088,741
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	12	73,876	114,424	58,593
Provisions	13	969	3,379	969
TOTAL CURRENT LIABILITIES		74,845	117,803	60,802
NON-CURRENT LIABILITIES				
Borrowings	14	1,515,000	1,945,000	-
TOTAL NON-CURRENT LIABILITIES		1,515,000	1,945,000	-
TOTAL LIABILITIES		1,589,845	2,062,803	60,802
NET ASSETS		8,412,495	8,416,341	8,899,951
EQUITY				
Issued capital	15	9,930,667	9,917,227	9,930,667
Retained earnings		(1,518,172)	(1,500,886)	(1,030,716)
TOTAL EQUITY		8,412,495	8,416,341	8,899,951

The accompanying notes form part of these financial statements.

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

Statement of Changes in Equity

For the Year Ended 30 June 2014

Parent

2014

	Members Capital	Applications Pending	Share Premium Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	9,905,948	5,400	5,879	(889,288)	9,027,939
Profit or loss attributable to members of the parent entity	-	-	-	(141,428)	(141,428)
Issue of shares	13,400	-	40	-	13,440
Balance at 30 June 2014	9,919,348	5,400	5,919	(1,030,716)	8,899,951

2013

	Members Capital	Applications Pending	Share Premium Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2012	9,640,148	275,500	5,859	(720,341)	9,201,166
Profit or loss attributable to members of the parent entity	-	-	-	(168,947)	(168,947)
Applications received (refunded)	-	(4,300)	-	-	(4,300)
Issue of shares	265,800	(265,800)	20	-	20
Balance at 30 June 2013	9,905,948	5,400	5,879	(889,288)	9,027,939

The accompanying notes form part of these financial statements.

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

Statement of Changes in Equity

For the Year Ended 30 June 2014

Consolidated

2014

	Members Capital	Applications Pending	Share Premium Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	9,905,948	5,400	5,879	(1,500,886)	8,416,341
Profit or loss attributable to members of the parent entity	-	-	-	(17,286)	(17,286)
Issue of shares	13,400	-	40	-	13,440
Balance at 30 June 2014	9,919,348	5,400	5,919	(1,518,172)	8,412,495

2013

	Members Capital	Applications Pending	Share Premium Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2012	9,640,148	275,500	5,859	(1,482,941)	8,438,566
Profit attributable to members of the parent entity	-	-	-	(17,945)	(17,945)
Applications received (refunded)	-	(4,300)	-	-	(4,300)
Issue of shares	265,800	(265,800)	20	-	20
Balance at 30 June 2013	9,905,948	5,400	5,879	(1,500,886)	8,416,341

The accompanying notes form part of these financial statements.

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

Statement of Cash Flows

For the Year Ended 30 June 2014

		Consolidated		Parent	
	Note	2014	2013	2014	2013
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers		968,504	984,156	23,117	35,207
Payments to suppliers and employees		(517,475)	(481,509)	(170,087)	(191,384)
Interest received		2,599	3,501	34	39
Finance costs		(93,983)	(132,962)	-	(960)
Net cash provided by (used in) operating activities	19	359,645	373,186	(146,936)	(157,098)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of plant and equipment		16,887	-	-	-
Purchase of property, plant and equipment		(3,767)	(48,205)	-	-
Loans repaid (made to) related parties		-	-	132,460	167,523
Net cash provided by (used in) investing activities		13,120	(48,205)	132,460	167,523
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds (refunds) from share applications		440	(4,280)	440	(4,280)
Repayment of borrowings		(430,000)	(405,000)	-	-
Net cash provided by (used in) financing activities		(429,560)	(409,280)	440	(4,280)
Net increase (decrease) in cash and cash equivalents held		(56,795)	(84,299)	(14,036)	6,145
Cash and cash equivalents at beginning of year		156,257	240,556	36,769	30,624
Cash and cash equivalents at end of financial year	4	99,462	156,257	22,733	36,769

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

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

1 Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

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

(b) Principles of consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period that they were controlled. A list of controlled entities is contained in Note 23 to the financial statements.

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

(c) Cash and cash equivalents

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

(d) Inventories

A controlled company of the Co-operative receives Large-scale Generation Certificates (LGCs) arising from its generation of renewable energy, which it holds available for sale. The Co-operative also holds an inventory of LGCs which are available for sale. The LGCs held at 30 June 2014 have been valued using the offer price from Green Energy at which the LGCs could be sold immediately following the balance date. In prior years the LGCs held at the balance date have been valued at the average of the rates during the month of June offered by two entities that frequently purchase LGCs from the Group.

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(d) Inventories continued

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.

Plant and equipment

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a 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%.
Office equipment assets are depreciated at a rate of 66.66%.

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. These gains and losses are included in the depreciation and amortisation expense in the statement of comprehensive income.

(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

Initial recognition and measurement

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(g) Financial instruments continued

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

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

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

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

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

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

Notes to the Financial Statements For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(g) Financial instruments continued

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

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

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

(iv) Available-for-sale financial assets

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

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

(v) Financial liabilities

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(g) Financial instruments continued

Impairment

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

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

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

Derecognition

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

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

(h) Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(h) Impairment of non-financial assets continued

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

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

(i) Trade and other payables

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

(j) Employee benefits

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

(k) Income tax

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

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

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

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

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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(k) Income tax continued

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.

(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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(m) Revenue and other income continued

Provision of services

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

(n) Borrowing costs

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

(o) Goods and services tax (GST)

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

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

(p) Comparative figures

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

2 Revenue and Other Income

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Operating revenue				
Electricity	590,667	639,258	-	-
Large-scale Generation Certificates	329,107	405,612	-	-
Movement in inventory of Large-scale Generation Certificates	21,328	(29,838)	1,869	-
	<u>941,102</u>	<u>1,015,032</u>	<u>1,869</u>	<u>-</u>
Other revenue				
Interest income	2,599	3,501	34	39
Merchandise sales	213	234	213	234
Site tours	853	1,054	853	1,054
Community fund contribution from Red Energy	21,650	16,963	21,650	16,963
Other contributions from Red Energy	-	19,821	-	19,821
Other community fund contributions	-	5,000	-	5,000
Other income	4,358	1,815	4,357	1,814
	<u>29,673</u>	<u>48,388</u>	<u>27,107</u>	<u>44,925</u>
	<u>970,775</u>	<u>1,063,420</u>	<u>28,976</u>	<u>44,925</u>

3 Operating expenses

(a) Administration expenses				
Accounting fees	14,850	26,279	7,890	26,129
Audit fees	5,245	6,200	2,605	6,200
Bank charges	13,197	12,196	61	25
Bookkeeping	9,467	12,860	5,147	12,860
Legal services	3,497	5,946	1,552	5,946
Printing, postage & stationary	4,195	1,295	4,195	784
Secretarial fees	1,208	1,911	45	1,016
Share registry	6,293	6,830	6,293	6,830
Telephone & internet	4,247	6,905	3,767	5,340
	<u>62,199</u>	<u>80,422</u>	<u>31,555</u>	<u>65,130</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

3 Operating expenses continued

(b) Communications and public meetings

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Advertising	-	1,413	-	1,413
Annual General Meeting	1,857	6,558	1,857	6,558
Launch and public events	208	684	209	683
Meetings, meals & entertainment	1,888	1,954	1,888	1,501
Street stalls	-	1,818	-	1,818
Travel	358	331	264	-
Project documentation	-	(2,000)	-	(2,000)
	<u>4,311</u>	<u>10,758</u>	<u>4,218</u>	<u>9,973</u>

(c) Personnel expenses

Human resources	2,889	-	2,889	-
Staff training & welfare	140	955	-	-
Superannuation contributions	12,507	12,966	12,507	5,766
Wages, salaries and contractors	140,045	142,281	81,724	62,281
Workcover	1,326	1,361	1,276	551
Movement in leave provisions	(2,410)	(873)	969	-
	<u>154,497</u>	<u>156,690</u>	<u>99,365</u>	<u>68,598</u>

(d) Depreciation and amortisation

Amortisation	3,985	4,147	-	-
Depreciation	404,967	420,239	-	-
Loss on disposal of fixed assets	9,575	-	-	-
	<u>418,527</u>	<u>424,386</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements
For the Year Ended 30 June 2014

3 Operating expenses continued

(e) Interest

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Interest paid	93,983	132,962	-	960
	<u>93,983</u>	<u>132,962</u>	<u>-</u>	<u>960</u>

(f) Other operating expenses

Doubtful debts	(1,125)	1,125	(1,125)	1,125
Insurance	35,593	40,400	4,218	14,041
Licence fees	1,274	2,812	49	213
Merchandise	178	129	178	129
Municipal payment in lieu of rates	5,655	14,586	-	-
Office rent	7,564	7,929	4,564	7,929
Project management	-	1,328	-	1,328
Wind farm rent	23,727	23,173	-	-
Wind farm operation	154,296	136,146	-	-
Wind farm compliance	-	4,074	-	-
	<u>227,162</u>	<u>231,702</u>	<u>7,884</u>	<u>24,765</u>

(g) Community contributions

Community Fund grants	24,500	42,455	24,500	42,455
Local benefit program	1,382	440	1,382	441
Sponsorships	1,500	1,550	1,500	1,550
	<u>27,382</u>	<u>44,445</u>	<u>27,382</u>	<u>44,446</u>

Notes to the Financial Statements
For the Year Ended 30 June 2014

4 Cash and Cash Equivalents

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Operating accounts	28,007	73,066	1,278	3,578
Market participant security	50,000	50,000	-	-
Community fund account	21,455	33,191	21,455	33,191
	<u>99,462</u>	<u>156,257</u>	<u>22,733</u>	<u>36,769</u>

5 Trade and Other Receivables

Trade receivables	134,449	156,140	16,451	12,707
Other trade receivables	213	-	213	-
Provision for impairment	-	(1,125)	-	(1,125)
	<u>134,662</u>	<u>155,015</u>	<u>16,664</u>	<u>11,582</u>
GST receivable	-	-	-	334
Other receivables	55	43	43	43
	<u>134,717</u>	<u>155,058</u>	<u>16,707</u>	<u>11,959</u>

6 Inventories

Merchandise	2,974	3,152	2,974	3,152
Large-scale Generation Certificates	64,602	43,274	1,869	-
	<u>67,576</u>	<u>46,426</u>	<u>4,843</u>	<u>3,152</u>

7 Other Assets

Monies on trust	-	2,171	-	2,171
	<u>-</u>	<u>2,171</u>	<u>-</u>	<u>2,171</u>

8 Investments in subsidiaries

Leonards Hill Wind Operations Pty Ltd	-	-	20	20
	<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>

9 Other Financial Assets

LOANS TO RELATED ENTITIES				
Leonards Hill Wind Operations Pty Ltd	-	-	8,915,210	9,034,670
	<u>-</u>	<u>-</u>	<u>8,915,210</u>	<u>9,034,670</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

10 Property, Plant and Equipment

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
PLANT AND GRID CONNECTION				
Wind Farm Development				
At cost	38,552	25,552	-	-
Accumulated depreciation	(4,884)	(3,482)	-	-
	<u>33,668</u>	<u>22,070</u>	<u>-</u>	<u>-</u>
Wind Farm Construction				
At cost	11,114,196	11,111,232	-	-
Accumulated depreciation	(1,579,756)	(1,182,503)	-	-
	<u>9,534,440</u>	<u>9,928,729</u>	<u>-</u>	<u>-</u>
Wind Farm Compliance				
Bat and bird monitoring - at cost	31,885	31,885	-	-
Electromagnetic interference mitigation - at cost	1,910	1,910	-	-
Electromagnetic interference survey - at cost	3,150	3,150	-	-
Heritage protection and management - at cost	6,067	6,067	-	-
Landscaping and screening - at cost	9,561	9,561	-	-
Noise monitoring - at cost	56,385	85,783	-	-
Preparation of management plans - at cost	20,312	20,312	-	-
Accumulated depreciation	(14,572)	(12,230)	-	-
	<u>114,698</u>	<u>146,438</u>	<u>-</u>	<u>-</u>
Wind Farm Project Management				
At cost	18,512	18,512	-	-
Accumulated depreciation	(2,199)	(1,519)	-	-
	<u>16,313</u>	<u>16,993</u>	<u>-</u>	<u>-</u>
OFFICE EQUIPMENT				
Computer Equipment				
At cost	803	-	-	-
Accumulated depreciation	(353)	-	-	-
Total office equipment	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>9,699,569</u>	<u>10,114,230</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

10 Property, Plant and Equipment continued

(a) Movements in Carrying Amounts

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

	Wind Farm Development	Wind Farm Construction	Wind Farm Compliance	Wind Farm Project Management	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of year	22,070	9,928,729	146,438	16,993	-	10,114,230
Additions	13,000	2,964	-	-	803	16,767
Disposals - written down value	-	-	(26,462)	-	-	(26,462)
Depreciation expense	(1,402)	(397,253)	(5,278)	(680)	(353)	(404,966)
Balance at 30 June 2014	<u>33,668</u>	<u>9,534,440</u>	<u>114,698</u>	<u>16,313</u>	<u>450</u>	<u>9,699,569</u>

11 Intangible Assets

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Formation costs				
At cost	400	400	-	-
Accumulated amortisation	(358)	(278)	-	-
	<u>42</u>	<u>122</u>	<u>-</u>	<u>-</u>
Borrowing costs				
At cost	11,718	11,718	-	-
Accumulated depreciation	(10,744)	(6,838)	-	-
	<u>974</u>	<u>4,880</u>	<u>-</u>	<u>-</u>
	<u>1,016</u>	<u>5,002</u>	<u>-</u>	<u>-</u>

12 Trade and Other Payables

Trade payables	43,927	67,958	37,787	55,788
GST payable	21,631	34,035	12,558	-
PAYG withholding payable	5,808	8,792	5,808	3,738
Superannuation payable	2,309	3,214	2,309	1,276
Other payables	201	425	131	-
	<u>73,876</u>	<u>114,424</u>	<u>58,593</u>	<u>60,802</u>

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

Notes to the Financial Statements

For the Year Ended 30 June 2014

13 Provisions

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Provision for annual leave	969	3,379	969	-
	<u>969</u>	<u>3,379</u>	<u>969</u>	<u>-</u>

14 Borrowings

Bank loans:

Bendigo and Adelaide Bank	1,515,000	1,945,000	-	-
	<u>1,515,000</u>	<u>1,945,000</u>	<u>-</u>	<u>-</u>

The limit of the bank loan facility from Bendigo and Adelaide Bank was reduced by agreement during the year from \$3,100,000 to \$3,030,000 at 30 June 2014.

The Bendigo and Adelaide Bank holds the following securities in relation to the bank loan:

- Registered Mortgage Debenture over Leonards Hill Wind Operations Pty Ltd.
- Unlimited Guarantee and Indemnity from Hepburn Community Wind Park Co-operative Ltd and Embark Australia Ltd.
- Mortgage of Lease incorporating right of access over property situated at Leonards Hill, Victoria in the name of Leonards Hill Wind Operations Pty Ltd.
- Registered Charge over Hepburn Community Wind Park Co-operative Ltd.
- Set Off Agreement against Fixed Term Deposit of \$500,000 held with Bendigo and Adelaide Bank and being in the name of Embark Australia Ltd. The Fixed Term Deposit was reduced from \$1,000,000 to \$500,000 as agreed with Bendigo and Adelaide Bank in April 2014.

15 Issued Capital

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
9,919,348 ordinary shares (2013: 9,905,948)	9,919,348	9,905,948	9,919,348	9,905,948
Applications pending	5,400	5,400	5,400	5,400
Share premium reserve	5,919	5,879	5,919	5,879
	<u>9,930,667</u>	<u>9,917,227</u>	<u>9,930,667</u>	<u>9,917,227</u>

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.

Applications pending consists of amounts received for ordinary shares where the related application form had not been received by the reporting date. 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.

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

Notes to the Financial Statements

For the Year Ended 30 June 2014

16 Contingent Liabilities

The Co-operative and its controlled entity had the following contingent liabilities which have not been recognised in the statement of financial position:

Leonards Hill Wind Operations, a controlled entity of the Co-operative, is party to a number of contracts related to the development and construction of the wind farm that are yet to be finalised. Once finalised, costs associated with these contracts would be categorised as items of property, plant and equipment. In the meantime, these contingent liabilities have not been recognised in the statement of financial position. The total amount of the contingent liability in relation to these contracts is not expected to exceed \$200,000.

The controlled entity of the Co-operative is in negotiation with the Hepburn Shire Council in relation to the payment in lieu of municipal rates to be made by the controlled entity in accordance with the Electricity Act (2000). The amount of the contribution for the 2014 financial year has yet to be finalised. Once finalised, costs associated with this item would be categorised as an Other Operating Expense. In the meantime, the controlled entity of the Co-operative has provided for a liability of \$5,655 in the statement of financial position, which represents the amount the Director's reasonably believe to be payable in relation to this matter.

17 Income Tax Expense

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

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Prima facie tax on profit before income tax at 30% (2013: 30%)	(5,185)	(5,384)	(42,429)	(50,684)
Add tax effect of tax loss not booked	5,185	5,384	42,429	50,684
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Deferred tax assets that have not been recorded in the financial statements are comprised as follows:				
Tax losses	2,014,545	1,558,560	440,310	405,441
	<u>2,014,545</u>	<u>1,558,560</u>	<u>440,310</u>	<u>405,441</u>

18 Dividends

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

19 Cash Flow Information

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

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Profit (loss) for the year	(17,286)	(17,945)	(141,428)	(168,947)
Non-cash flows in profit:				
Depreciation and amortisation	418,527	424,386	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase)/decrease in trade and other receivables	20,341	(104,605)	(5,082)	(8,554)
(Increase)/decrease in inventories	(21,150)	29,967	(1,691)	129
(Increase)/decrease in other assets	2,171	(1,952)	2,171	(1,952)
Increase/(decrease) in trade and other payables	(40,548)	44,208	(1,875)	22,226
(Increase)/decrease in provisions	(2,410)	(873)	969	-
Cashflow from operations	359,645	373,186	(146,936)	(157,098)

20 Financial Risk Management

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

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

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	99,462	156,257	22,733	36,769
Trade and other receivables	134,717	155,058	16,707	11,959
Loans to related parties	-	-	8,915,210	9,034,670
Total financial assets	234,179	311,315	8,954,650	9,083,398
Financial Liabilities				
Trade and other payables	73,876	114,424	58,593	60,802
Borrowings	1,515,000	1,945,000	-	-
Total financial liabilities	1,588,876	2,059,424	58,593	60,802

Notes to the Financial Statements

For the Year Ended 30 June 2014

21 Key Management Personnel Compensation

The total remuneration paid to key management personnel of the Co-operative and its controlled entities was \$134,020 (2013: \$87,200).

22 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 21: 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

The following transactions occurred with related parties during the financial year.

Payments to related parties

The controlled entity of the Co-operative has paid a fee to Embark Australia Ltd, a non-profit company limited by guarantee, of which Simon Holmes à Court is a director, for the provision of a guarantee and use of a term deposit held in the name of Embark Australia Ltd as security for the bank loan of the controlled entity.

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Loan security fee	10,000	10,000	-	-
	10,000	10,000	-	-

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

Notes to the Financial Statements

For the Year Ended 30 June 2014

22 Related Party Transactions continued

Receipts from related parties

The controlled entity of the Co-operative has received income from the sale of LGCs to a director, Daniel Magasanik. The proceeds from the sale of LGCs to related parties was more than would otherwise have been realised by the controlled entity.

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Proceeds from LGCs	225	-	-	-
	<u>225</u>	<u>-</u>	<u>-</u>	<u>-</u>

23 Controlled Entities

	Country of Incorporation	2014 Percentage Owned (%)*	2013 Percentage Owned (%)*
Leonards Hill Wind Operations Pty Ltd	Australia	100	100
Leonards Hill Wind Farm Pty Ltd	Australia	0	100

* Percentage of voting power is in proportion to ownership

In the prior year the board resolved to consolidate the operations of its subsidiaries, Leonards Hill Wind Farm Pty Ltd and Leonards Hill Wind Operations Pty Ltd as the original structure had outlasted its purpose. The transfer of the assets and operations of Leonards Hill Wind Farm Pty Ltd to Leonards Hill Wind Operations Pty Ltd was completed by 30 June 2013. The board, in their capacity as shareholder of Leonards Hill Farm Pty Ltd, resolved to wind up Leonards Hill Wind Farm Pty Ltd and the secretary applied to ASIC on 27 August 2013 for the voluntary deregistration of the company. Leonards Hill Wind Farm Pty Ltd was deregistered by ASIC on 30 October 2013.

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

Notes to the Financial Statements

For the Year Ended 30 June 2014

24 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 balance of funds available for use by the Community Fund are set out below:

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Opening Community Fund balance	6,250	467	6,250	467
Contribution by Co-operative	7,500	30,488	7,500	30,488
Contribution by Red Energy	21,650	16,963	21,650	16,963
Other Community Fund contributions	-	5,000	-	5,000
Site tours	208	310	208	310
Interest income	34	21	34	21
Grants to community groups	(24,500)	(42,455)	(24,500)	(42,455)
Sponsorships to community groups	(1,500)	(1,550)	(1,500)	(1,550)
Local benefit sharing	(1,382)	(441)	(1,382)	(441)
Management fee	(2,960)	(2,544)	(2,960)	(2,544)
Bank charges	(10)	(9)	(10)	(9)
Closing Community Fund balance	<u>5,290</u>	<u>6,250</u>	<u>5,290</u>	<u>6,250</u>

25 Co-operative Details

The registered office and principal place of business of the Co-operative is:

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

Hepburn Community Wind Park Co-operative Ltd

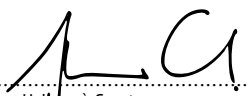
ABN 87 572 206 200


Directors' Declaration

The directors of the Co-operative declare that:

1. The financial statements and notes, as set out on pages 8 to 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 2014 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: 
Simon Holmes à Court

Director: 
Daniel Magasanik

Dated 15 August 2014



Office 20 Lydiard Street South, Ballarat
Post PO Box 605, Ballarat VIC 3353

Email ppt@ppt.com.au
Web www.ppt.com.au

Phone (03) 5331 3711
Fax (03) 5331 7980

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

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

We have audited the accompanying financial report of Hepburn Community Wind Park Co-operative Ltd, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Co-operative and the consolidated entity.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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



Office 20 Lydiard Street South, Ballarat
Post PO Box 605, Ballarat VIC 3353

Email ppt@ppt.com.au

Web www.ppt.com.au

Phone (03) 5331 3711

Fax (03) 5331 7980

Hepburn Community Wind Park Co-operative Ltd

ABN 87 572 206 200

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

Opinion

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

- (a) giving a true and fair view of the Co-operative's and the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

PPT Audit Pty Ltd

PPT Audit Pty Ltd
Certified Practising Accountants

Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

Dated 18 August 2014

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ABN 86 141 239 894

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Directors' Report

30 June 2014

Your directors present their report on Leonards Hill Wind Operations Pty Ltd for the financial year ended 30 June 2014.

Information on directors

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

Simon Holmes à Court
Daniel Magasanik

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

Principal activities

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

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

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

Operating results

The profit of the Company after providing for income tax amounted to \$124,141 (2013: profit of \$150,103).

Dividends paid or recommended

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

Significant changes in state of affairs

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

In February 2014 the Federal Government initiated a non-statutory review of the Renewable Energy Target (RET). The market has interpreted this action, and a number of other pronouncements, as evidence of Government antipathy towards renewable energy. The resulting uncertainty around the RET has negatively impacted the renewable energy certificate market.

In anticipation of increasingly adverse market conditions, the company undertook a range of initiatives to reduce expenses. This included the transfer of staff to the parent entity of the company and downsizing of the Group's staff from approximately 2.6 FTE to 1.0 FTE during the year. The company has also continued to pay down the Bendigo and Adelaide Bank loan at an accelerated rate.

After balance date events

After a protracted political process, the Federal Government has dismantled the Carbon Pricing Mechanism. The removal of the carbon price has resulted in a decrease in the market price of electricity.

The Federal Government has also announced its intention to implement new noise monitoring requirements for wind farms. Details have yet to be finalised, but may result in significant additional wind farm operating expenses.

Directors' Report

30 June 2014

After balance date events continued

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

Future developments and results

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

Reduced demand and additional supply in the energy markets have resulted in an oversupplied electricity market. This is expected to translate to lower market prices and a likely shakeout of the generation sector as participants withdraw capacity.

Protracted policy uncertainty around the Renewable Energy Target (RET) continues to negatively impact market prices for renewable energy certificates. Influential lobby groups are calling for a significant weakening or even termination of the RET. This uncertainty is subjecting the company, and other renewable energy generators, to significant regulatory risk.

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

Environmental issues

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

- Environmental Management Plan
- Bird and Bat Monitoring Plan
- Preliminary Off-Site Landscaping and Visual Screening Plan
- On-site Landscape and Visual Screening Plan
- Heritage Management Protection Plan
- Fire Management Plan
- Noise Compliance Plan

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

Options

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

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

Indemnification and insurance of officers and auditors

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

Directors' Report 30 June 2014

Proceedings on behalf of company

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

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

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2014 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: 
Simon Holmes à Court

Director: 
Daniel Magasanik

Dated 15 August 2014





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 2014, 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
Certified Practising Accountants


Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

Dated 14 August 2014

Statement of Comprehensive Income For the Year Ended 30 June 2014

		2014	2013
	Note	\$	\$
Revenue	2	941,798	1,018,494
Administrative expenses	3(a)	(30,644)	(14,909)
Travel and accommodation	3(b)	(94)	(785)
Personnel expenses	3(c)	(55,131)	(88,092)
Depreciation and amortisation	3(d)	(418,527)	(424,225)
Interest	3(e)	(93,983)	(132,002)
Other operating expenses	3(f)	(219,278)	(208,378)
Profit before income tax		124,141	150,103
Income tax expense	14	-	-
Profit for the year		124,141	150,103
Other comprehensive income:			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		124,141	150,103

The accompanying notes form part of these financial statements.

Statement of Financial Position As At 30 June 2014

	Note	2014	2013
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	76,729	119,488
Trade and other receivables	5	118,009	143,434
Inventories	6	62,733	43,274
TOTAL CURRENT ASSETS		257,471	306,196
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,699,569	10,114,230
Intangible assets	8	1,016	5,002
TOTAL NON-CURRENT ASSETS		9,700,585	10,119,232
TOTAL ASSETS		9,958,056	10,425,428
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	15,285	53,959
Short-term provisions	10	-	3,379
TOTAL CURRENT LIABILITIES		15,285	57,338
NON-CURRENT LIABILITIES			
Borrowings	11	10,430,210	10,979,670
TOTAL NON-CURRENT LIABILITIES		10,430,210	10,979,670
TOTAL LIABILITIES		10,445,495	11,037,008
NET ASSETS		(487,439)	(611,580)
EQUITY			
Issued capital	12	20	20
Retained earnings		(487,459)	(611,600)
TOTAL EQUITY		(487,439)	(611,580)

The accompanying notes form part of these financial statements.

Statement of Changes in Equity For the Year Ended 30 June 2014

2014

	Ordinary Shares \$	Retained Earnings \$	Total \$
Balance at 1 July 2013	20	(611,600)	(611,580)
Profit attributable to members of the entity	-	124,141	124,141
Balance at 30 June 2014	<u>20</u>	<u>(487,459)</u>	<u>(487,439)</u>

2013

	Ordinary Shares \$	Retained Earnings \$	Total \$
Balance at 1 July 2012	20	(761,703)	(761,683)
Profit attributable to members of the entity	-	150,103	150,103
Balance at 30 June 2013	<u>20</u>	<u>(611,600)</u>	<u>(611,580)</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows For the Year Ended 30 June 2014

	Note	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		945,211	948,818
Payments to suppliers and employees		(347,212)	(278,562)
Interest received		2,565	3,462
Interest paid		(93,983)	(132,002)
Net cash provided by operating activities	15	<u>506,581</u>	<u>541,716</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		16,887	-
Payments for plant and equipment		(3,767)	(48,205)
Net cash used in investing activities		<u>13,120</u>	<u>(48,205)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds (repayments) of related entity loans		(132,460)	(165,657)
Net proceeds (repayments) of bank loans		(430,000)	(405,000)
Net cash provided by (used in) financing activities		<u>(562,460)</u>	<u>(570,657)</u>
Net increase in cash and cash equivalents held		(42,759)	(77,146)
Cash and cash equivalents at beginning of year		119,488	196,634
Cash and cash equivalents at end of financial year	4	<u>76,729</u>	<u>119,488</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

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

(b) Cash and cash equivalents

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

(c) Inventories

The company receives Large-scale Generation Certificates (LGCs) arising from its generation of renewable energy, which it holds available for sale. The company has valued LGCs held at 30 June 2014 using the offer price from Green Energy at which it could sell the LGCs immediately following the balance date. In prior years the LGCs held at the balance date have been valued at the average of the rates during the month of June offered by two entities that frequently purchase LGCs from the company.

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

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

(d) Property, plant and equipment

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

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 diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

Plant and grid connection assets are depreciated at a rate of 4%.
Office equipment assets are depreciated at a rate of 66.66%.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(d) Property, plant and equipment continued

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the depreciation and amortisation expense in the statement of comprehensive income.

(e) Intangibles and amortisation

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

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

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

(f) Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(f) Financial instruments continued

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

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

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

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

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

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

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

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

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

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

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

(iv) Available-for-sale financial assets

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(f) Financial instruments continued

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

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

(v) Financial liabilities

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

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

Impairment

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

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

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

Derecognition

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(g) Impairment of non-financial assets

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

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

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

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

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

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

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

(h) Trade and other payables

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

(i) Employee benefits

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

(j) Income tax

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(j) Income tax continued
to giving rise to deferred tax assets.

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

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

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

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

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

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

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

(k) Leases

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(l) Revenue and other income

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

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

Sale of goods

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

Provision of services

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

(m) Borrowing costs

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

(n) Goods and services tax (GST)

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

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

(o) Going concern

Notwithstanding the Company's deficiency in net assets, the financial report has been prepared on the going concern basis. Included as a liability of the company at 30 June 2014 is a loan payable to its parent entity, Hepburn Wind Park Co-operative Ltd, of \$8,915,210 (2013: \$9,034,670). This loan, which has been provided on an interest free basis, does not have any set repayment terms and would not be requested to be repaid until the company is in a position to do so. On the basis that the company continues to receive the financial support of its parent entity, the Directors are of the opinion that it is appropriate to prepare the financial statements on the going concern basis.

(p) Comparative figures

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

2 Revenue and Other Income

	2014	2013
	\$	\$
Operating revenue		
Electricity	590,667	639,258
Large-scale Generation Certificates	329,107	405,612
Movement in inventory of Large-scale Generation Certificates	19,459	(29,838)
	<u>939,233</u>	<u>1,015,032</u>
Other revenue		
Interest income	2,565	3,462
	<u>941,798</u>	<u>1,018,494</u>

3 Operating expenses

(a) Administration expenses		
Accounting fees	6,960	-
Audit fees	2,640	-
Bank charges	13,136	12,166
Bookkeeping	4,320	-
Printing, postage and stationery	-	512
Legal services	1,945	-
Secretarial services	1,163	665
Telephone, mobile and internet	480	1,566
	<u>30,644</u>	<u>14,909</u>
(b) Travel and accommodation		
Travel	94	785
	<u>94</u>	<u>785</u>
(c) Personnel expenses		
Wages, salaries and contractors	58,320	80,000
Staff training	140	955
Superannuation contributions	-	7,200
Workcover	50	810
Movement in leave provisions	(3,379)	(873)
	<u>55,131</u>	<u>88,092</u>

Notes to the Financial Statements
For the Year Ended 30 June 2014

3 Operating expenses continued

(d) Depreciation and amortisation

	2014	2013
	\$	\$
Amortisation	3,986	3,988
Depreciation	404,967	420,237
Loss on disposal of fixed assets	9,574	-
	<u>418,527</u>	<u>424,225</u>

(e) Interest
Interest paid

	93,983	132,002
	<u>93,983</u>	<u>132,002</u>

(f) Other operating expenses

Insurance	31,375	26,359
Licence fees	1,225	2,599
Office rent	3,000	-
Municipal payment in lieu of rates	5,655	14,586
Wind farm rent	23,727	24,614
Wind farm operations	154,296	136,146
Wind farm compliance	-	4,074
	<u>219,278</u>	<u>208,378</u>

4 Cash and Cash Equivalents

Operating accounts	76,729	119,488
	<u>76,729</u>	<u>119,488</u>

5 Trade and Other Receivables

Trade receivables	117,997	143,434
Other receivables	12	-
	<u>118,009</u>	<u>143,434</u>

6 Inventories

Large-scale Generation Certificates	62,733	43,274
	<u>62,733</u>	<u>43,274</u>

Notes to the Financial Statements
For the Year Ended 30 June 2014

7 Property, Plant and Equipment

	2014	2013
	\$	\$
PLANT AND GRID CONNECTION		
Wind Farm Development		
At cost	38,552	25,552
Accumulated depreciation	(4,884)	(3,482)
	<u>33,668</u>	<u>22,070</u>
Wind Farm Construction		
At cost	11,114,196	11,111,232
Accumulated depreciation	(1,579,756)	(1,182,503)
	<u>9,534,440</u>	<u>9,928,729</u>
Wind Farm Compliance		
Bat and bird monitoring - at cost	31,885	31,885
Electromagnetic interference mitigation - at cost	1,910	1,910
Electromagnetic interference survey - at cost	3,150	3,150
Heritage protection and management - at cost	6,067	6,067
Landscaping and screening - at cost	9,561	9,561
Noise monitoring - at cost	56,385	85,783
Preparation of management plans - at cost	20,312	20,312
Accumulated depreciation	(14,572)	(12,230)
	<u>114,698</u>	<u>146,438</u>
Wind Farm Project Management		
At cost	18,512	18,512
Accumulated depreciation	(2,199)	(1,519)
	<u>16,313</u>	<u>16,993</u>
OFFICE EQUIPMENT		
Computer Equipment		
At cost	803	-
Accumulated depreciation	(353)	-
	<u>450</u>	<u>-</u>
Total office equipment	<u>9,699,569</u>	<u>10,114,230</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

7 Property, Plant and Equipment continued

(a) Movements in Carrying Amounts

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

	Wind Farm Development	Wind Farm Construction	Wind Farm Compliance	Wind Farm Project Management	Office Equipment	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of year	22,070	9,928,729	146,438	16,993	-	10,114,230
Additions	13,000	2,964	-	-	803	16,767
Disposals - written down value	-	-	(26,462)	-	-	(26,462)
Depreciation expense	(1,402)	(397,253)	(5,278)	(680)	(353)	(404,966)
Balance at 30 June 2014	33,668	9,534,440	114,698	16,313	450	9,699,569

8 Intangible Assets

	2014 \$	2013 \$
Formation costs		
Cost	400	400
Accumulated amortisation and impairment	(358)	(278)
	42	122
Borrowing costs		
Cost	11,718	11,718
Accumulated amortisation and impairment	(10,744)	(6,838)
	974	4,880
	1,016	5,002

9 Trade and Other Payables

Trade payables	6,140	12,174
GST payable	9,073	34,368
PAYG withholding payable	-	5,054
Superannuation payable	-	1,938
Other payables	72	425
	15,285	53,959

Notes to the Financial Statements

For the Year Ended 30 June 2014

10 Provisions

	2014 \$	2013 \$
Provision for annual leave	-	3,379
	-	3,379

11 Borrowings

Loan from related entities:

Hepburn Community Wind Park Co-operative Ltd	8,915,210	9,034,670
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Bank loans:

Bendigo Bank	1,515,000	1,945,000
	10,430,210	10,979,670

The limit of the bank loan facility from the Bendigo and Adelaide Bank was reduced by agreement during the year from \$3,100,000 to \$3,030,000 at 30 June 2014.

The Bendigo and Adelaide Bank holds the following securities in relation to the bank loan:

- Registered Mortgage Debenture over Leonards Hill Wind Operations Pty Ltd.
- Unlimited Guarantee and Indemnity from Hepburn Community Wind Park Co-operative Ltd and Embark Australia Ltd.
- Mortgage of Lease incorporating right of access over property situated at Leonards Hill, Victoria in the name of Leonards Hill Wind Operations Pty Ltd.
- Registered Charge over Hepburn Community Wind Park Co-operative Ltd.
- Set Off Agreement against Fixed Term Deposit of \$500,000 held with Bendigo and Adelaide Bank and being in the name of Embark Australia Ltd. The Fixed Term Deposit was reduced from \$1,000,000 to \$500,000 as agreed with Bendigo and Adelaide Bank in April 2014.

12 Issued Capital

	2014 \$	2013 \$
20 ordinary shares (2013: 20)	20	20
	20	20

Notes to the Financial Statements

For the Year Ended 30 June 2014

13 Contingent Liabilities

The company has the following contingent liabilities which have not been recognised in the statement of financial position:

The company is party to a number of contracts related to the development and construction of the wind farm that are yet to be finalised. Once finalised, costs associated with these items would be categorised as items of property, plant and equipment. In the meantime, these contingent liabilities have not been recognised in the statement of financial position. The total amount of the contingent liability in relation to these contracts is not expected to exceed \$200,000.

The company is in negotiation with the Hepburn Shire Council in relation to the payment in lieu of municipal rates to be made by the company in accordance with the Electricity Act (2000). The amount of the contribution for the 2014 financial year has yet to be finalised. Once finalised, costs associated with this item would be categorised as an Other Operating Expense. At 30 June 2014, the company has provided for a liability of \$5,655 in the statement of financial position, which represents the amount the Director's reasonably believe to be payable in relation to this matter.

14 Income Tax Expense

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

	2014 \$	2013 \$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)	37,242	45,031
Add tax effect of:		
Recoupment of prior year tax losses not previously brought to account	(37,242)	(45,031)
Income tax expense	-	-

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

Deferred tax assets that have not been recorded in the financial statements are comprised as follows:

Tax losses	1,574,234	1,153,296
	<u>1,574,234</u>	<u>1,153,296</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

15 Cash Flow Information

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

	2014 \$	2013 \$
Profit (Loss) for the year	124,141	150,103
Non-cash flows in profit:		
Depreciation and amortisation	418,528	424,386
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
Increase in trade and other receivables	25,425	(96,051)
Increase in inventories	(19,459)	29,838
(Increase)/decrease in related party loans	-	33,537
Increase in trade and other payables	(38,675)	937
Increase/(decrease) in employee entitlements	(3,379)	(873)
Cashflow from operations	<u>506,581</u>	<u>541,877</u>

16 Financial Risk Management

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

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

	2014 \$	2013 \$
Financial Assets		
Cash and cash equivalents	76,729	119,488
Trade and other receivables	118,009	143,434
Total financial assets	<u>194,738</u>	<u>262,922</u>
Financial Liabilities		
Trade and other payables	15,285	53,959
Borrowings	10,430,210	10,979,670
Total financial liabilities	<u>10,445,495</u>	<u>11,033,629</u>

17 Key Management Personnel Compensation

At the start of the financial year the employees of the company were transferred to the parent entity, Hepburn Community Wind Park Co-operative Ltd. The company paid management fees totalling \$58,320 to its parent entity to reimburse the parent entity for remuneration paid to key management personnel of the Company during the year (2013: amounts paid directly to key management personnel of the company \$87,200).

Notes to the Financial Statements

For the Year Ended 30 June 2014

18 Related Party Transactions

The Company's main related parties are as follows:

Shareholder

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

Related entities

Hepburn Community Wind Park Co-operative Ltd also held 100% of the shares in Leonards Hill Wind Farm Pty Ltd. The Co-operative, in its capacity as shareholder, resolved to wind up Leonards Hill Wind Farm Pty Ltd and the secretary applied to ASIC on 27 August 2013 for the voluntary deregistration of the company. Leonards Hill Wind Farm Pty Ltd was deregistered by ASIC on 30 October 2013.

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 17: 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

The following transactions occurred with related parties:

Payments to related parties

In prior years the company paid management fees to Leonards Hill Wind Farm Pty Ltd in respect of land leased by Leonards Hill Wind Farm Pty Ltd and used by the company. The management fees paid are the same as the amount paid by Leonards Hill Wind Farm Pty Ltd for the lease of the land together with reimbursement of other operating expenses incurred by Leonards Hill Wind Farm Pty Ltd.

The company has paid a fee to Embark Australia Ltd, a non-profit company limited by guarantee, of which Simon Holmes à Court is a director, for the provision of a guarantee and use of a term deposit held in the name of Embark Australia Ltd as security for the bank loan of the company.

	2014	2013
	\$	\$
Management fees	-	24,614
Loan security fee	10,000	10,000
	<u>10,000</u>	<u>34,614</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

18 Related Party Transactions continued

Receipts from related parties

The company received income from the sale of LGCs to a director, Daniel Magasanik. The proceeds from the sale of LGCs to related parties was more than would otherwise have been realised by the company.

	2014	2013
	\$	\$
Proceeds from LGCs	225	-
	<u>225</u>	<u>-</u>

Trade payables to related parties

In prior years the company had management fees payable to Leonards Hill Wind Farm Pty Ltd in respect of the land leased for use by the company. The management fees payable are disclosed including applicable GST.

	2014	2013
	\$	\$
Trade payables	-	6,298
	<u>-</u>	<u>6,298</u>

Loans to/from related parties

Unsecured loans have been received from Hepburn Community Wind Park Co-operative Ltd. The amount owing at the balance date is disclosed in Note 11. No repayment terms have been set for the loan from Hepburn Community Wind Park Co-operative Ltd, which has been provided on an interest free basis.

19 Company Details

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

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

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 24, 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 2014 and of the performance for the year ended on that date of the Company.
2. After considering the information contained in Note 1(m) Going Concern, in the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director: 
Simon Holmes à Court

Director: 
Daniel Magasanik

Dated 15 August 2014



Leonards Hill Wind Operations Pty Ltd

ABN 86 141 239 894

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

We have audited the accompanying financial report of Leonards Hill Wind Operations Pty Ltd, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Leonards Hill Wind Operations Pty Ltd

ABN 86 141 239 894

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

Opinion

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

- (a) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Inherent uncertainty regarding Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1(o) Going Concern. Notwithstanding the Company's deficiency in net assets, the financial report has been prepared on the going concern basis. Included as a liability of the company at 30 June 2014 is a loan payable to its parent entity, Hepburn Wind Park Co-operative Ltd, of \$8,915,210 (2013: \$9,034,670). This loan, which has been provided on an interest free basis, does not have any set repayment terms and would not be requested to be repaid until the company is in a position to do so. On the basis that the company continues to receive the financial support of its parent entity, the Directors are of the opinion that it is appropriate to prepare the financial statements on the going concern basis.

PPT Audit Pty Ltd

PPT Audit Pty Ltd
Certified Practising Accountants



Jason D. Hargreaves
Director

20 Lydiard Street South, Ballarat

Dated 18 August 2014

hepburnwind



hepburnwind.com.au

13 Knox Street, Daylesford, Victoria 3460

Photo by Bernard Winter