



2017 Member Capital Return (Repurchase of shares)

Supporting Frequently Asked Questions (FAQs)

What does 'repurchase of shares' mean?

A repurchase of shares is the Co-operatives Act equivalent of a company share buyback. A repurchase of shares repays to the shareholders part or all of the amount that they paid for their shares and is sometimes known as a 'return of capital (ROC)', 'share buyback' or 'capital return'. A repurchase of shares is not the same as a dividend, which is a payment to the shareholders of profits earned by the organisation. Basically, a repurchase of shares is a return of some of the initial investment, which results in a reduction in the number of shares and the amount that is invested. The repurchase of shares effectively reduces equity in the same way that all distributions do. It is a transfer of value from the Co-operative to the owners (shareholders).

Who has authorised the repurchase of shares?

The Board of Hepburn Wind has allocated \$500,000 in total to this return of capital. The amount was approved by the Board of Hepburn Wind in July 2017, following the finalisation of the FY2017 accounts. Changes to the Co-operative's rules to enable this process to occur were passed by members at the Annual General Meeting on 23 November 2013.

Am I eligible for the repurchase of shares?

All members are eligible to participate in the repurchase of shares. This is an opt in process for which there is equal access (ie all shareholders have the same rights to participate). It is not compulsory to take it up.

How much will I receive?

If you choose to participate in the repurchase of shares, you will surrender 5% of your total shareholding and you will be paid \$1 for each share that is surrendered. For example, if you hold 10,000 shares, to participate you will surrender 500 shares (5% of your total holding) and you will receive \$1 per share - a total of \$500.

By way of example:

Number of shares	Number of shares to be repurchased and cancelled	Total Capital returned to member (\$)
100	5 shares	\$5
1000	50 shares	\$50
5000	250	\$250
10000	500	\$500
20000	1000	\$1000
50000	2500	\$2500

What is the process?

The following steps will be undertaken to implement the repurchase of shares:

- Member fills out the return of capital form on the STA website (www.securitytransfer.com.au/login.cfm).
- At the end of the notice period, STA provides Hepburn Wind with the number of securities to be relinquished and places the securities into a control account.
- Hepburn Wind passes a motion at a board meeting to formalise the outcome of the opt-in process, following which STA pays funds by direct debit to those shareholders who have elected to take part in the return of capital, and the appropriate number of shares are extinguished from the shareholder's holding.

When and how will I receive my capital return?

The payments will be made in mid-October by electronic funds transfer (EFT) into the account you provided when you became a member. Please note that all payments to members with an Australian registered address will only be made by way of direct credit to an Australian bank account. Only overseas members will receive a cheque via mail. Members who have not already provided Hepburn Wind with their bank account details, or who have changed details since they provided them, should update them online at www.securitytransfer.com.au/login.cfm or contact our share registry provider via the same website.

Why is the co-operative doing a capital return?

The Board of Hepburn Wind believes that returning some funds to members will respond to the interests of stakeholders without compromising the sustainability of the Co-operative. Tough financial conditions over recent years have meant members have had to be very patient; now that the Co-operative's finances are better, that patience can be rewarded. The Co-operative remains committed to pursuing future growth and maximising sustainable returns to members.

What will be the effect of the capital repurchase on the Co-operative?

The key financial implications of the capital repurchase are as follows:

- Hepburn Wind's share capital and cash balance will be reduced by the number of share repurchases taken up (up to the cap of \$500,000)

- The funds that are returned to shareholders will no longer be part of the interest-earning cash balance available to the co-operative
- Any unused funds within the \$500,000 capped total will be allocated to future generation projects (such as the installation of solar) and investments, which will have the dual effect of helping to assure Hepburn Wind's financial future moving us closer to being able to pay dividends. It should be noted, however, that our accumulated losses will remain the same.

In determining to implement a repurchase of shares, the Board has carefully reviewed Hepburn Wind's assets, liabilities and expected cash flows, and is satisfied that the return will not negatively impact on the Co-operative's solvency.

Where are the funds for the repurchase of shares coming from?

The repurchase of shares will be funded from the Co-operative's cash balances.

What will the impact on the share price be?

The share price will remain the same.

What are the tax implications of the repurchase of shares?

No tax consequences are expected to arise for the Co-operative from the repurchase of shares. The tax implications for members may be different when a dividend is paid instead of a repurchase of shares. It is not possible to consider the tax implications for all members and therefore members should obtain their own advice as to the implications based on their own circumstances. In broad terms a dividend would be assessable to the shareholders and would be unfranked (as there has been no tax paid by the Co-operative). A repurchase of shares would ordinarily not be taxable to members unless their cost base for the shares is less than the amount that they receive in the return of capital (which is unlikely).

Is this a dividend?

The amount paid for the repurchase of shares under this offer is not a dividend.

Why aren't we receiving a dividend?

Whilst in FY2017 the group made an operating profit, in previous years the Co-operative has incurred losses. The profit earned in FY2017 is being used to offset those losses. While the recoupment of the accumulated losses continues, the Co-operative is not in a position to pay dividends.

How is this different from a dividend?

A repurchase of shares is the repayment to the members of the amount that they originally subscribed for the purchase of the shares. This is the Co-operative equivalent of a company share buyback or return of capital. By contrast, a dividend is the payment to the shareholders of part of the profit of the organisation. The option of providing a repurchase of shares enables our Co-operative to provide a repayment of capital per share similar to

that which would result from a share buyback. This also ensures that all members receive an equal cash distribution per share - if they choose to take up the offer.

When can I expect to receive a dividend?

The Board is in the process of using profits being generated by the Co-operative to offset the accumulated losses that have been incurred in previous years in order to put the Co-operative in a position to pay dividends in the future. The Board intends to recommend the payment of dividends in the future when the financial position of the Co-operative makes it prudent to do so. Please note that we are around a decade ahead of forecasts in regards to paying off our debt - which we achieved this year.

What will happen to my portion of the amount allocated for the repurchase of shares if I choose not to take up the offer? Will my shares increase in value?

All funds within the \$500,000 capped total that are not used to fund the repurchase offer will be put to use by the Co-operative, to invest in new projects and make investments which will help grow our Co-operative. Profits from these investments will assist us to recoup the prior years' accumulated losses and take us closer to being able to pay dividends in the future.

What happens to the shares I surrender if I take up the repurchase of shares?

The relevant numbers of shares of those members who opt in to the repurchase of shares will be cancelled on the date that the shares are repurchased by the Co-operative.