



## 2019 Member Return

### *Supporting Frequently Asked Questions (FAQs)*

*Please note that shares issued by a co-operative differ to those issued by a company. Some key differences are:*

- *Shares issued by a co-operative do not have any voting rights attached to them and are only available to be issued to co-operative members, not to members of the public generally. Voting rights in the co-operative attach to membership not share ownership.*
- *Shareholders in a co-operative are only allowed to hold a limited number of shares. In addition, these shares are not permitted to be quoted on the Australian Securities Exchange and consequently are traded on the secondary market, which by its nature is illiquid. Hepburn Wind has elected to use a vendor trading platform to facilitate share transactions between members.*
- *Co-operative shares have a fixed nominal value as determined by the co-operatives rules and are not subject to market prices, therefore reducing the scope for any capital gain.*
- *Redemption procedures related to cooperative shares can result in a delay in payment for a significant period.*

*The co-operative operates under the requirements of the Co-operatives National Law and the Rules of the Co-operative.*

#### **Will the co-operative pay a dividend in the 2018-2019 financial year?**

The board of Hepburn Wind has declared a fully franked dividend to members of 2.6c per fully paid ordinary share (representing a dividend of approximately \$259,000 in total). Members will have several options in relation to how they receive the dividend.

In determining to declare a fully franked dividend, the co-operative's directors have carefully reviewed Hepburn Wind's assets, liabilities and expected cash flows. The directors have also satisfied themselves as to the solvency of Hepburn Wind following the dividend.

#### **Am I eligible for the dividend?**

All shareholders of the co-operative who own shares on the record date are eligible to receive the fully franked dividend based on the number of shares they held at that date. The record date for the dividend is 24 May.



## What options do I have for how I receive the dividend?

Members will be able to elect from the following options as to how they receive the dividend:

- **Option 1 Cash Dividend** means the co-operative will pay you the amount of the fully franked dividend into your bank account by EFT. This is the default option. If a member does not select any option, they will be paid the full dividend amount they are entitled to under this option.
- **Option 2 Dividend Reinvestment Plan (DRP)** means that instead of receiving payment into your bank account, the amount of the dividend will be applied towards the purchase of additional shares in the co-operative on your behalf which will be added to your existing shareholding. In other words, you will receive additional shares in the co-operative instead of receiving a cash dividend. You can view the DRP documentation [here](#).
- **Option 3 Donation to the Community Fund** means that instead of receiving payment into your bank account, the amount you would have received if you chose a cash dividend will instead be paid to the Community Fund. Please note that donations to the Community Fund are not tax deductible. You can view the Donation Plan documentation [here](#).

Please note that under all of the above options shareholders are taken to have received the dividend for the purposes of the dividend payment rules and for taxation purposes. The difference between these options is how the proceeds from the dividend are applied.

## Can I choose more than one option?

Yes, you are able to select multiple options. For example, you could select to take a partial cash dividend and make a partial donation into the Community Fund.

## How do I exercise my option/s?

You will be sent an email from Hepburn Wind with instructions on how to exercise your options in April. This will contain links to the Link Market Services site and enable you to complete the appropriate forms.

## How do I decide which option/s are suitable for me?

Members must make their own decisions about which option or options are suitable for them. You may wish to seek independent financial and taxation advice on the implications of the various options, based on your personal circumstances.



## How will each of the options affect the co-operative?

The payment of fully franked dividends by the co-operative represent the payment to the members of profits earned and, accordingly, reduce the retained earnings of the co-operative.

### - **Option 1 Cash Dividend**

The funds that are returned to shareholders will no longer be part of the interest-earning cash balance available to the co-operative. In determining the amount of the dividend to be offered, the Board has carefully reviewed Hepburn Wind's assets, liabilities and expected cash flows. The directors have also satisfied themselves as to the solvency of Hepburn Wind following the dividend, based on the maximum amount that would be paid out if all members opted to receive 100% of the dividend available to them under this option.

### - **Option 2 Dividend Reinvestment Plan**

Funds that members reinvest into the co-operative will be added to the share capital of the co-operative and will be available to the co-operative for use in accordance with the Rules of the co-operative, for the benefit of the co-operative and its members. Currently the co-operative is pursuing an active growth strategy with future income generating activities being considered such as a co-located solar farm at Leonards Hill. In 2018 the co-operative was successful in receiving a \$500,000 grant from the state government towards development of the solar farm. Reinvestment will strengthen the co-operative's potential to pursue appropriate strategies for the ongoing benefit of the co-operative and its members.

### - **Option 3 Donation to Community Fund (Dividend Donation Plan)**

Funds that are donated to the Community Fund will be paid into the Community Fund bank account and invested into the local community in line with the [Hepburn Wind Community Fund Guidelines](#), as updated from time to time. Please note that donations to the Community Fund are not tax deductible.



### How much will I receive?

The board of Hepburn Wind has declared a fully franked dividend to members of 2.6c per fully paid ordinary share (representing a dividend of approximately \$259,000 in total).

The amount of fully franked dividend that you are entitled to will depend on the number of shares that you own in the co-operative. For example, if you hold 10,000 shares, you will receive 10,000 x 2.6 cents or \$260 dollars. Additional examples and how the dividends may be applied are shown in the table below:

		Examples of how the payment of the dividend may be applied			
Number of shares	Dividend entitlement	<b>100% Option 1: Cash Dividend</b> Total dividend paid to the member	<b>100% Option 2: DRP</b> Number of new shares purchased for the shareholder using their dividend	<b>100% Option 3: Community Fund</b> Total amount transferred to community fund (CF)	<b>50% Option 1: Cash Dividend + 50% Option 2: DRP</b>
100	\$2.60	\$2.60	2 shares	\$2.60 paid to the CF	\$1.30 and 1 share
1000	\$26.00	\$26.00	23 shares	\$26.00 paid to the CF	\$13.00 and 11 shares
5000	\$130.00	\$130.00	118 shares	\$130.00 paid to the CF	\$65.00 and 59 shares
10000	\$260.00	\$260.00	236 shares	\$260.00 paid to the CF	\$130.00 and 118 shares
20000	\$520.00	\$520.00	472 shares	\$520.00 paid to the CF	\$260.00 and 236 shares
50000	\$1,300.00	\$1,300.00	1,181 shares	\$1,300.00 paid to the CF	\$650.00 and 590 shares



### **Why are you paying a dividend now?**

The rule change to enable an interim dividend to be paid at the board's discretion was passed by members at the Annual General Meeting in November 2018. This is the first time Hepburn Wind has been in a position to be able to pay a dividend. Dividends are paid out of profits earned by the co-operative. These profits are subject to Australian company tax which, for the co-operative, is currently 27.5%. This means that shareholders are able to receive a rebate for the tax paid by the company on profits distributed as fully franked dividends.

The co-operative began first paying company tax in the financial quarter ending 30 September 2018. The directors believe that paying the dividend at this time will leave Hepburn Wind sufficiently capitalised, while taking account of the interests of stakeholders. The co-operative remains committed to pursuing future growth and maximising sustainable returns to members.

### **What will be the impact on the share price?**

With the co-operative having recouped the accumulated losses brought forward from previous years, the directors believe that for the current financial year the co-operative will no longer have a deficit in the equity of the co-operative. In accordance with the rules under which the co-operative operates, the shares in the co-operative have a fixed price and, as a result, the directors do not believe that there will be any direct impact on the share price as a result of the payment of this dividend.

### **What are franking credits?**

Dividends are paid out of profits earned by the co-operative. Where the profits have already been subject to Australian company tax (which, for the co-operative, is currently 27.5%) the current franking credit rules mean that shareholders can receive a rebate for the tax paid by the company on profits distributed as dividends.

These dividends are described as being 'franked'. Franked dividends have a franking credit attached to them which represents the amount of tax the company has already paid. Franking credits are also known as imputation credits.

Depending on your personal circumstances you may be entitled to receive a credit for the tax the company has paid and is passing on to you by way of the franking credit. You should seek financial and taxation advice about the implications of this dividend and the franking credit based on your personal circumstances.



### **Why aren't you paying an unfranked dividend?**

Dividends are paid out of profits earned by the Co-operative. Where the profits have not been subject to company tax (for example, because of tax timing differences) the profits are only able to be paid to shareholders as unfranked dividends.

The main preference for not paying unfranked dividends is the potential for double taxation of the profits of the co-operative (which can occur when unfranked dividends are paid but the differences between accounting and tax profits are largely timing differences instead of permanent differences) with the shareholders paying their full marginal rates of tax on the unfranked element without the benefit of franking credits and the co-op subsequently paying company tax without being able to pass the tax paid on to the shareholder as a franking rebate (when the timing differences reverse in the co-operative's tax returns).

### **How is this different from the Repurchase of Shares in 2017?**

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 buy back or return of capital. By contrast, a dividend is the payment to the shareholders of part of the profit of the organisation.

### **What is a Dividend Reinvestment Plan?**

The Dividend Reinvestment Plan (DRP) provides holders of ordinary shares (shares) in Hepburn Community Wind Park Co-operative Limited (co-operative) with the opportunity to reinvest all, or part, of their dividends back into shares in the co-operative instead of receiving those dividends in cash.

If an eligible shareholder wishes to participate in the plan, they must elect on their DRP Application Form the degree to which they wish to participate in the plan. Their participation may be either:

- Full participation, which means the participant receives an allocation for all of the participant's shareholding from time to time, including shares previously allocated under the plan; or
- Partial participation, which means the participant receives an allocation for a specific number of shares nominated by the participant together with the shares previously allocated under the plan.

Shares issued under the DRP are added to the share capital of the co-operative and the same rights and rules apply to these shares as to other shares in the co-operative.

You can view the DRP documentation [here](#).



### **Are there any restrictions on participating in the Dividend Reinvestment Plan (DRP)?**

The rules under which the co-operative operate prohibit any shareholder from owning 20% or more of the nominal share capital of the co-operative. If participation in the DRP would result in a shareholder breaching this rule, the shareholder will instead be paid their dividend under Option 1.

### **What is the Dividend Reinvestment Plan (DRP) Price Under Option 2?**

The board have determined that the price for the issue of new shares under the Dividend Reinvestment Plan, in accordance with the rules of the Co-operative, is \$1.10 per share (being the price at which members are able to subscribe for additional shares in the co-operative).

### **How will the Dividend Reinvestment Plan be rounded and what happens with the residual amounts?**

In calculating the number of shares to be allocated to a participant for a particular dividend, fractions will be rounded down to the nearest whole number of shares. In regards to the DRP, a participant is not entitled to any fractional entitlement or to receive payment of any residual amount.

### **If I re-invest in the co-operative, where does my investment go?**

The dividends reinvested will add to the share capital of the co-operative and will go directly into future growth activities. Hepburn Wind is pursuing an active growth strategy with future income generating activities such as a co-located solar farm at Leonards Hill. In 2018 the co-operative was successful in receiving a \$500,000 grant from the state government towards development of the solar farm.

### **If I donate to the Community Fund, where does my dividend go?**

Under the Dividend Donation Plan, your dividend will be donated to the Hepburn Wind Community Fund. The Community Fund has four streams - one of which is the Energy Fund. If you choose to donate to the Community Fund your donation will be put to the Energy Fund for projects such as donations or grants towards solar installations on community buildings. To date, Hepburn Wind's Energy Fund has delivered six donation solar projects on community building rooftops, the first electric vehicle charging station in Daylesford and a solar monitoring device.

### **When is the next dividend scheduled for?**

As per our Member Perspectives Survey in 2017, over 65% of members showed their preference for a return every second year to save on administration costs. Therefore, the board has committed that every second year they will review and ascertain if it is prudent to make a return and if so, what form that return will take.



### **Will the federal election impact the dividend / franking credits?**

The dividend will be processed and paid out within the current financial year. The outcome of the election and the potential for changes to the law is impossible to predict, however, under the currently announced policies of both major political parties there is not expected to be any change to the laws applying to the dividend as a result of the federal election outcome.

### **What happens if my bank details aren't up to date?**

It is important that you ensure your bank details are current. You can check Hepburn Wind's record of your bank details [here](#). If the co-operative is unable to make a payment to a shareholder due to incorrect bank details the shareholder will be notified on their dividend statement. Please note that if a shareholder is unable to be contacted then, after a period of time the law requires the funds to be paid to 'Unclaimed Money' which is administered by the SRO <https://www.sro.vic.gov.au/unclaimed-money>.

### **When will I receive my dividend?**

The payments will be made on 17 June 2019 by EFT into the account you either provided when you became a member or have subsequently updated online.

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. Members who have not already provided Hepburn Wind with their bank account details, or have changed details should update them via the [Link Market Services site](#).

### **What are the current risks to the co-operative?**

The co-operative has recently updated its Disclosure Statement in the spirit of continuous disclosure. Please read the update [here](#).

In summary, in December 2018 the Clean Energy Regulator implemented a rule change which encourages retailers to utilise a three-year window of supplying certificates. Several retailers have recently opted to pay penalties under the 2020 renewable energy target rather than meet their full liability. This has resulted in an immediate reduction in the demand for LGCs and hence the market price has halved since December 2018. The co-operative is currently lobbying to protect its future operating environment and will be watching the federal election carefully to understand future implications related to renewable generators.





Another significant item is the co-operative's obligations under the High Voltage Network Assets Program. Following the devastating bushfires of Black Saturday in 2009, the Victorian Government established the Victorian Bushfires Royal Commission to consider how bushfires can be better prevented and managed in the future. In response to the Royal Commission's report and recommendations, the Government established the Powerline Bushfire Safety Program (PBSP). The co-operative is currently lobbying the state government around the lack of full compensation for on-site equipment upgrades and replacements that are legislated to be delivered by July 2021. We will keep members regularly updated around this item as it progresses. Please view more details about the program [here](#).

Members should note that while the risk to profitability and future viability is noted in the Disclosure Statement, the Board currently does not consider the risk sufficiently imminent, material or unmanaged to require the revisiting of the decision to pay a dividend in 2018/19.

**Will I still receive a dividend if I live overseas?**

Yes, for members based internationally - if your registered address is international and you have not provided us with an Australian bank account then you will receive a cheque in the mail.

**If I am mid way through purchasing shares from a seller who will receive the dividend?**

The record date is the date used in determining who is entitled to a dividend or other entitlement associated with a security. Those on the register on the record date (24 May) are eligible for the entitlement. The last board meeting before the record date will be the 30 April. This will be the last opportunity to finalise holdings before the payment. With regards to the transfers any transfers pending the board approval, the dividend will be paid to the transferor as they are the owners of the shares until the transfer is completed on the system and the shares have moved to the transferee.