

Hepburn Wind Disclosure Statement

October 2019



About this document

Under the Co-operatives National Law Application Act 2013, a distributing co-operative is required to provide a Disclosure Statement to applicants for membership or shares. This statement in conjunction with the most recent Annual Report represents the disclosure statement. The Annual Report is available at www.hepburnwind.com.au/membership/members

This Disclosure Statement is issued in accordance with section 68 of the Co-operatives National Law Application Act (the Act) by Hepburn Community Wind Park Co-operative Limited (Hepburn Wind), ABN 87 572 206 200, a distributing co-operative registered in Victoria under the Act, registration number G0003442Y.

Any person who receives or reads this document should not consider it as a recommendation to become a member of Hepburn Wind or to purchase shares. Recipients should read this document in its entirety and seek advice from their financial and other professional advisers before applying to subscribe for shares.

To the maximum extent permitted by law, Hepburn Wind, its directors, officers, employees, advisers and consultants and their associated companies, businesses, partners, directors, officers and employees accept no liability or responsibility for any loss or damage (however caused including without limitation for negligence) arising from reliance placed on the information contained in this document.

Structure and governance

Hepburn Community Wind Park Co-operative Ltd

Hepburn Community Wind Park Co-operative Ltd (Hepburn Wind) was incorporated under the Act on 28 August 2007. Hepburn Wind has a wholly owned subsidiary company, Leonards Hill Wind Operations Pty Ltd (LHWO), ACN 141 239 894 which is the owner and operator of the wind farm assets and the lessee of the wind farm site.

The Hepburn Community Wind Farm at Leonards Hill via Daylesford has been operational since 22 June 2011. The project was funded with members' capital, government grants and finance from Bendigo and Adelaide Bank.

The co-operative's revenue is derived from the sale of energy generated by the wind farm to Powershop Australia via the National Electricity Market (NEM) and the sale of the corresponding renewable energy certificates (Large-scale Generation Certificates, or LGCs) to various third parties. LGCs form part of Australia's Renewable Energy Target program.

Primary activities

The primary activities of Hepburn Wind, as stated in the Rules, are to:

- develop, own, operate and manage a wind farm or farms;
- generate and supply energy from the co-operative wind farm or farms;
- provide advice and assistance to its members to reduce energy usage and increase members' energy efficiency;
- raise community awareness of the benefits of sustainable and renewable energy.

Rules of the co-operative

The Rules of the co-operative have the effect of a contract between the co-operative and each member and between the members of the co-operative. By becoming a member, a person becomes bound by and agrees to observe and perform the provisions of the Rules in so far as they apply to that person.

In particular, the Rules set out the requirements that each member must satisfy in order to be an active member of the co-operative. The rules are available for download at www.hepburnwind.com.au/membership/members

Board of directors

The business of Hepburn Wind is managed by a board of seven directors. The directors are elected by members at Annual General Meetings and serve a three year term.

A brief biographical entry for each director may be found on the Hepburn Wind website and in the Annual Report. Directors are not paid for their service as a director.

Special resolutions

A number of special resolutions have been approved in the past which have resulted in changes to the Rules of the co-operative. The current Rules of the co-operative have been updated accordingly.

Disclosure documents

Applicants for membership are entitled to a current copy of the Rules, the last Annual Report and a copy of all special resolutions passed by the co-operative which are applicable (except those providing for alteration of the Rules) free of charge.

The most recent Annual Report as submitted to the Registrar under section 249 of the Co-operatives Act is appended and forms part of this Disclosure Statement.

The Rules, Annual Reports and special resolutions are available for inspection at the registered office of Hepburn Wind, 13 Knox Street, Daylesford and may also be obtained from www.hepburnwind.com.au/membership/members or by emailing info@hepburnwind.com.au

Applicants for membership and/or shares should read and understand the Rules of the co-operative and the most recent Annual Report.

Co-operative membership

Maintaining active membership

In order to remain an active member of the co-operative, a member must either:

- purchase or consume energy generated directly or indirectly by the co-operative; or
- subscribe to the co-operative's information advisory service relating to energy usage and efficiency; or
- subscribe to the co-operative's free newsletter.

If for a period of three years a member is inactive or the member's whereabouts are unknown, the board must declare the membership of the member cancelled and forfeit that person's shares.

The right to vote

The right to vote attaches to membership, not shareholding. Each member has one vote only regardless of the number of shares held. To exercise their vote, a member must be present at a general meeting, except where the Act requires a resolution to be voted by postal ballot. Only active members are eligible to vote. The Act does not allow members under 18 years of age to vote or hold the office of director.

Liability of members

A member is not personally liable to the creditors of the co-operative or to the co-operative itself, except of any fees or charges owing by that member to the co-operative.

Rights and liabilities attaching to shares

Nature of a share

A share in the co-operative is personal property.

It is a requirement that each member hold shares in the co-operative. Shares may be transferred, with the consent of the board, to any person including another member provided that the board is satisfied that there are reasonable grounds for believing that the person will be an active member of the co-operative.

An administrator, trustee in bankruptcy or executor appointed under a law of a state or territory to administer the estate of the member may be registered as the holder of a share.

Share issue

A share in Hepburn Wind has a nominal value of \$1. The board has determined that shares are to be issued at a premium of 10%, resulting in a price of \$1.10 per share (\$1 nominal value plus 10c premium).

The full price of shares subscribed for must be paid upon application.

Share qualification

The minimum number of shares that must be applied for when joining the co-operative is 100 shares for priority applicants (currently local residents and members of local sustainability groups) and 1000 shares for all other applicants.

Trading of shares

Shares in Hepburn Wind are not tradeable on a stock exchange, however shares may be transferred with the consent of the board between members and between members and applicants for membership

Purchase or repayment of shares

The co-operative is permitted to purchase the shares of a member where the member so requests or to repay to a member the whole of the amount paid up on any share held by a member. However, the co-operative does so at the board's discretion, and is not obligated to repay the value of the shares immediately if this would adversely affect the financial viability of the co-operative.

Any share purchased or repaid by the co-operative will be cancelled and disclosed in the co-operative's Annual Report.

Forfeiture of shares

Where membership is being cancelled under the active membership rule, the board must declare that the shares of the member are forfeited.

The co-operative must repay the amount due in relation to the cancellation within 12 months of the date of cancellation. In accordance with section 163 of the Act, the amount to be repaid is the paid up value of the shares. However where the board considers that repayment would adversely affect the financial position of the co-operative, the co-operative may retain the money until such time as repayment would not adversely affect the financial position of the co-operative. However this amount must be paid within 10 years of the cancellation of the membership.

Winding up

In the event of dissolution of the co-operative, if any property remains after the satisfaction of all its debts and liabilities (including the refund of the amounts paid up on the shares), the property shall be distributed among the members in proportion to their shareholding.

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If an inactive member's membership of the co-operative is cancelled within two years before commencement of the winding up of the co-operative, the person is liable on the winding up to contribute to the property of the co-operative the nominal value of any shares forfeited in connection with that cancellation

Similarly, if under Section 107 of the Act, the proposed co-operative repurchases any share of a member, or repays to a member the whole or any part of the amount paid up on any share held by a member within two years before commencement of the winding up of the co-operative, the member or former member is liable on the winding up to contribute to the property of the co-operative the amount that was paid by the co-operative to the member or former member in respect of the repurchase or repayment together with any amount unpaid on those shares immediately before the purchase or repayment.

Other disclosures Significant changes

The 2018 Annual Report incorporating financial statements for the co-operative can be found at www.hepburnwind.com.au/membership/members

Renewable energy generators including Hepburn Wind, derive a significant portion of their income from the generation and sale of Large Generation Certificates (LGCs) under the federal government's Renewable Energy Target (RET).

The Clean Energy Regulator (CER) who administers the registration and accounting of LGCs recently revised its rules. Prior to last December, the authority would publicise any retailer not supplying their certificate quota in the allocated year. Until then there were very few missed deadlines. In December 2018 the authority changed its stance and now encourages retailers to utilise a three-year window of supplying certificates. Several retailers have recently opted to pay penalties under the 2020 renewable energy target rather than meet their full liability.

This has resulted in an immediate reduction in the demand for LGCs and hence the market price has halved since November 2018. The 2020 RET is close to being met and therefore there are set to be further reductions in LGC pricing in the coming years.

This year's reduction in LGC prices has impacted our profitability for FY2019. This reduction in prices indicates a significant threat to the Co-operative's viability into future years. The Co-operative's board and management are actively pursuing strategies to alleviate and mitigate that threat.

Regarding the Integrated Service Package (ISP) for Hepburn Wind between Leonards Hill Wind Operations Pty Ltd and Repower Systems AG. In April 2019 Senvion GmbH (formerly known as Repower Systems AG) commenced self administration and in September 2019, Senvion GmbH announced that it had entered into a non-binding exclusivity agreement with Siemens Gamesa for the sale of selected services and onshore assets.

Hepburn Wind has entered into an Interim Services Agreement with Senvion GmbH to allow continuity of operation and maintenance services at the wind farm through the M&A process. The current Interim Services Agreement (ISA) covers the period from 1/10/19 to 1/1/20. During this time, Hepburn Wind will be obliged to pay for services that fall outside of the ISA. Additional insurance protection has been sought by Hepburn Wind under a Machinery Breakdown Extension to the current insurance. Due to less coverage under the ISA than ISP, the board anticipates that turbine operating expenses may be over budget for this financial year and therefore impact the forecast profit negatively. The board has ensured that cash flow is available to cover any services that fall outside of the ISA during this period.

Any noteworthy developments subsequent to Annual Report are announced in newsletters. Interested parties are urged to subscribe to the Hepburn Wind's newsletter via the co-operative's website. Past newsletters are shared on www.hepburnwind.com.au/journal.

Co-operative identity, values and principles

Definition

A co-operative is an autonomous association of persons (corporations/individuals) united voluntarily to meet their common economic, social or cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Co-operative values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Self help, expressed through mutual action as a group, provides the motivation for self reliance and assuming responsibility for taking control of one's own affairs. Democracy and equity sustain the solidarity of the co-operative by ensuring that no individual member can secure power or gain advantage to the detriment of other members.

In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Co-operative principals

Seven internationally recognised co-operative principles outlined below act as guidelines by which co-operatives put the above values into practice.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other level are organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training & Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of co-operatives.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for the Community

While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.

Disclaimer

This disclosure statement has been lodged with the Victorian Registrar of Co-operatives pursuant to section 68 of the Co-operatives National Law Applications Act 2013. The Registrar and her servants, employees, agents and delegates specifically disclaim all liability including if due to the negligence of any one or more of them, for the contents of the statement.

Pursuant to the Act, the responsibility for ensuring that the Act has been complied with in preparation of the disclosure statement lies with those issuing the statement. Persons making false or misleading statements in a disclosure statement may be liable for criminal penalties and expose themselves to civil liability to anyone who suffers a loss as a consequence.

It is not possible for a disclaimer statement to include all material relevant to each co-operative's circumstance. Each member should make his or her own enquiries, and is advised to obtain professional advice if they feel this necessary.

Signed for and on behalf of the directors in accordance with a resolution of the board.

Graham White


David Perry


11 October 2019