# HEPBURN COMMUNITY WIND PARK CO-OPERATIVE LTD

ABN: 87 572 206 200

Reg. No: G0003442Y

# Annual Report

## for the year ended 30 June 2011

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## Chairman's Letter

In 2005 a group of locals were inspired by Per Bernard's vision to build a locally owned wind farm for the community's benefit. It is with great pride that your board has delivered on this audacious goal.

On 22 June 2011 our wind farm became Victoria's ninth wind farm and the first in the country to be initiated and owned by a community. Our two turbines stand proudly atop Leonards Hill and in just a few short months have already offset thousands of tons of carbon pollution.

From our humble beginnings where our presence was not much more than a card table in the main street of Daylesford on Saturday mornings, we have grown to almost 1900 members who have together contributed more than $9.6m and thousands of hours of volunteer time.

Our members are more than simply investors in the Australian renewable energy sector — they are also making a long term contribution to our community.

While many communities are still considering their response to climate change, our community can be extremely proud of our success in building a future that includes clean, safe, local power. Communities around the country are inspired by what has become known as the 'Hepburn Model'.

On behalf of your board and our executive team, I am very grateful for the patient and passionate support shown by our members. Together we have achieved something very special.

Sincerely,

Simon Holmes à Court
Chairman

## Directors' Report

Your directors submit their report, together with the audited financial statements of the co-operative and subsidiary entities Leonards Hill Wind Farm Pty Ltd (LHWF) and Leonards Hill Wind Operations Pty Ltd (LHWO) for the year ended 30 June 2011.

### Principal activities

The principal activities of the co-operative in the course of the financial year were to complete the capital structure and to manage the contractual arrangements for the construction of the wind farm at Leonards Hill.

There was no significant change in the nature of the principal activities during the year.

### Significant changes

Significant changes in the co-operative's state of affairs during the financial year were:

- On 29 October 2010 Hepburn Wind signed a funding deed with the Victorian Department of Innovation, Industry and Regional Development for a grant of $750,000 to assist with grid connection costs for the wind farm project.
- On 30 March 2011 Hepburn Wind announced the availability of a short term unsecured financing facility. Under the facility, notes were issued for a maximum period of 12 months and maturing on 15 March 2012 at a nominal rate of 7.30%. The notes are exchangeable for shares at a face value of $1.00 at any time prior to 30 September 2011. $345,000 of deposits were received under this facility.

## Project developments

Following the signing of the construction contract with REpower System AG on 28 April 2010, the construction of the Leonards Hill wind farm was substantially completed during the 2010-2011 financial year.

Noteworthy milestones include:

- On 7 July 2010 Leonards Hill Wind Farm signed a Lease with R & N Liversidge Pty Ltd as trustee for The R & N Liversidge Family Trust. (An Agreement For Lease had previously been in place since 29 November 2008.)
- On 11 August 2010 Leonards Hill Wind Operations signed both an electricity Export Agreement and a Network Augmentation Agreement with Powercor Australia Ltd.
- On 3 February 2011 the first foundation concrete was poured.
- On 19 March 2011 erection of the first turbine commenced, with completion of the second turbine on 27 March.
- On 30 March 2011 a term sheet was signed between Red Energy, Hepburn Wind and LHWO providing for the purchase by Red Energy of all the electricity and a portion of the large-scale generation certificates (LGCs, formerly known as RECs) generated by the wind farm. LHWO will sell energy at half hourly National Electricity Market spot prices and LGCs will be sold at a price based on market pricing.
- On 30 March 2011 the co-operative announced that the share price would be increasing to $1.10 from 1 July 2011.
- On 28 April 2011 the co-operative terminated the Project Management Services Agreement.
- On 17 May 2011 the wind farm was connected into the local electricity network and the wind farm was energised for the first time.
- On 22 June 2011 first export of electricity from the wind farm took place as part of the commissioning process.
- On 23 June 2011 the co-operative released a Project Update providing projected revenue, expenses and cash flow for the first 10 years of operation of the wind farm.
- On 29 June 2011 the Office of the Renewable Energy Regulator (ORER) approved the accreditation of the wind farm under the Renewable Energy (Electricity) Act 2000 with effect from 22 June 2011, allowing the project to create LGCs associated with generation by the wind farm.

Co-ordination of the project through to completion was managed by the Operations Working Group of the board, with the assistance of contracted, professional project management.

## Review and result for the year

A loss for the year was recorded reflecting the completion of construction and the fact that generation of electricity and revenue did not commence until late June 2011. The result is in line with the directors' expectations for this stage of the project.

| | **Consolidated** | | **Parent** | |
|---|---|---|---|---|
| | **30 June 2011** | 30 June 2010 | **30 June 2011** | 30 June 2010 |
| Profit/(loss) before income tax | **(946,917)** | (117,276) | **(468,617)** | (85,840) |

## Dividends

In line with the directors' expectations for this stage of the project, the directors recommend that no dividend be paid for the financial year ended 30 June 2011.

## Matters subsequent to the end of the financial year

At the date of this report, $200,000 (plus interest) of the short term debt facility has been repaid at the request of a holder of the facility. Of the remaining $145,000 of the facility, holders have indicated their intention to exchange $116,000 for shares under the terms of the facility. The balance of $29,000, together with accrued interest, is expected to be repaid when the facility matures on 15 March 2012.

Electrical connection of the wind farm to the electricity network required significant engineering works within the local distribution system owned and operated by Powercor Australia Ltd.

Factors beyond the control of Hepburn Wind and its controlled entities have resulted in delays to the completion of these works. When these works are complete, expected before the end of December 2011, the wind farm will be permitted to export the wind farm's full capacity of 4.1 MW. Until such time, a limit of 2.6 MW has been imposed, which will result in a shortfall of generation. The shortfall is expected to have a negative impact on revenue for the period to the end of December 2011 of less than 30%.

Noteworthy milestones since the end of the financial year are:

- On 2 July 2011 LHWO signed an Electricity and RECs Purchase Agreement with Red Energy which provides for the sale of all electricity and a portion of the LGCs from the wind farm.
- On 29 July 2011 the independent project engineer signed the Completion Certificate under the construction contract with REpower and operational control of the wind farm was transferred from REpower to Hepburn Wind.

To the best knowledge of the directors, no other matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the co-operative, the results of those operations or the state of affairs of the co-operative in the subsequent financial years.

## Future development and results

The likely developments in the operation of the co-operative in future financial years and the expected results of these developments are the generation and sale of electricity and LGCs in line with projections in the Project Update of 23 June 2011.

## Environmental regulation

The operations of the co-operative's subsidiary LHWO are subject to various environmental regulations. As a condition of the wind farm's planning permit, the co-operative has developed, or is in the process of developing, 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

Where applicable, these plans (available at **hepburnwind.com.au/planning**) have been endorsed by Hepburn Shire Council as the responsible planning authority and are currently being implemented by LHWO.

## Share options

As outlined above, the co-operative issued short-term notes that were exchangeable for shares. Other than this facility, the co-operative did not during the course of the year or since the end thereof granted to a person a formal option to have issued to him/her shares in the co-operative or any controlled entity.

## Directors' and executives' benefits and contracts

The co-operative's staff are employed under contract at an hourly rate and receive superannuation.

The directors received no remuneration and no payments were made under the the co-operative's policy to reimburse directors for personal expenses relating to co-operative duties.

Two directors participated in the short-term unsecured financing facility described above.

## Staff

As at 30 June 2011, Hepburn Wind employed three staff members:

- Jack Gilding, Executive Officer
- Tracy Anthony, Project Officer
- Taryn Lane, Community Officer.

## Directors

The following persons were directors of the co-operative during the whole of the financial year and up to the date of this report, unless otherwise stated.

| Director | Experience | | Meetings (Attended/ Eligible) |
|---|---|---|---|
| **Almut Beringer** | Almut holds a PhD in Environmental Ethics and, in recent years, has worked in universities in Australia, Canada, USA and Germany to integrate sustainability principles and practice into all aspects of higher education: teaching and learning, operations, and campus management. She has directed renewable energy projects (wind, solar, geothermal), climate change activities, sustainable community planning, sustainable transport, and green building projects, among other initiatives in Australia and overseas. Almut has called Daylesford/Hepburn Shire her home since 1995. | Elected 30 March 2011<br>Resigned 25 August 2011 | 2/3 |
| **Dan Cass** | Dan has an honours degree in science history and was science curator at Museum Victoria. Dan is a political consultant for the renewable energy sector, with clients such as solar PV companies Spark Solar Australia and Sungevity, Inc (USA). He has advised Greens Leader Senator Bob Brown, the University of Melbourne Energy Research Institute and the Australian PV Association. Dan was communications manager at Greenpeace Australia Pacific. Dan is a media commentator and writes a blog. | Elected 30 March 2011 | 3/3 |
| **Brett Dutton** | Brett has 20 years management and engineering skills gained in the Royal Australian Navy. Since 2004 Brett has had a variety of project and executive management roles with major renewable energy projects and has project managed the installation of over 200 MW of wind projects in Australia and New Zealand. | Appointed 5 March 2008<br>Elected 28 April 2009<br>Resigned 30 June 2011 | 7/12 |
| **Simon Holmes à Court***<br>Chairman<br>Chair Operations Working Group | Simon has qualifications in Cognitive and Computer Science and Applied Finance and Investment. He 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 Pty Ltd, one of Australia's largest private companies, and is the Chairman of Melbourne based Observant Pty Ltd, which designs and manufactures infrastructure monitoring, control and automation solutions. Simon is the founder and Chairman of Embark, the non-profit peak-body for the community renewable energy sector. | Elected 18 July 2007 | 11/12 |
| **Vicki Horrigan**<br>Chair Communications Working Group until March 2011 | Vicki has lived in Daylesford and Hepburn Springs since 1991. Vicki has extensive involvement in local community activities through the Daylesford primary and secondary schools and local sporting groups. Vicki has an Arts/Law degree and has practised law since 1987 working in the community sector. For the past eight years Vicki has worked in the Victorian public service and in her most recent role has focused on effective and accountable governance and management of complex projects within the health and welfare area. | Elected 28 April 2009<br>Resigned 30 March 2011 | 9/9 |
| **Koos Hulst**<br>Deputy Chair until March 2011 | Koos has a Bachelors degree in Mechanical Engineering and a Masters degree in Process Engineering from Delft University in the Netherlands. Koos is also a graduate of the Permaculture Design course from the Permaculture Institute at Melbourne University. Throughout his engineering career, Koos has worked for both large and small engineering firms in the Netherlands and the Philippines, designing and constructing biological treatment facilities for industrial waste-water, and he currently works in Australia as a project engineer. | Elected 18 July 2007<br>Resigned 30 March 2011 | 7/9 |

| Director | Experience | | Meetings (Attended/ Eligible) |
|---|---|---|---|
| **Scott Kinnear***<br>Chair Communications Working Group | Scott has a long involvement in community organisations as the former Chair of the Centre for Education and Research in Environmental Strategies, former and founding Chair of the Organic Federation of Australia, former board member of Biological Farmers of Australia and current Chair of GeneEthics Network and Director of the Safe Food Institute and Foundation. Scott has a degree in Agricultural Science and holds qualifications with Process Communications Model. Scott also owns and manages Organic Wholefoods, a Melbourne food retailer, and is farming organically at Blampied, 10 km from Daylesford. He has lived in the area for 10 years. | Elected 18 July 2007 | 7/12 |
| **Daniel Magasanik** | Daniel was a founding director of the Energy Research and Development Corporation and the co-founder of McLennan Magasanik Associates and now works part-time with Intelligent Energy Systems. His main interest is the sustainable extraction and conversion of energy. Daniel holds degrees in chemical engineering from McGill University in Montreal and 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 | 10/12 |
| **Martin May***<br>Treasurer, Chair Finance Working Group | Martin has extensive experience in the finance industry, both local and international, over the last 30 years. Currently the CEO of Affinity Funds Management, a specialist manager in the field of commercial lending, Martin is particularly involved in developing innovative investment solutions for institutional and wholesale investors. Martin has held positions on the board and investment committee of a major life insurance company and holds a BA in Economics from The University of Melbourne. | Elected 28 April 2009 | 11/12 |
| **Norman McMurray** | Norm McMurray lives in Musk. His experience includes 15 years as a health technician, five years managing medical clinics and many years working in the area of superannuation. In his current role at Maurice Blackburn, Norm works to achieve the best possible financial outcomes for people with disabilities and those who are critically ill. | Appointed 26 August 2011 | n/a |
| **Kate Redwood***<br>Chair Administration Working Group | Kate Redwood is a resident of Daylesford. She is involved in a range of community activities including being Secretary of the Daylesford Football Netball Club and Vice President of the Friends of Cornish Hill. In the course of her career Kate has held senior management roles with significant community service organisations, and has served two terms as an elected councillor for the City of Melbourne. She is currently serving a third term as a director of Melbourne Health and is a director of the Walter and Eliza Hall Institute. Kate holds a Bachelor of Arts and Bachelor of Social Work. She has also completed an accelerated MBA. | Elected 28 April 2010 | 9/12 |
| **Peter Rogers** | Peter’s early career was with ICI Australia responsible for commissioning and running plants producing chemicals, pharmaceuticals and plastics and producing power and steam from waste heat. He was based in the London headquarters of ICI PLC for five years with global responsibilities and was a director of several ICI subsidiary companies in Asia Pacific. Peter qualifications are BE (Monash), MAppSc (Melb), and PhD (Monash). Included in Peter’s voluntary and community activities are: Chairman of Monash Engineering Foundation, Director of Acclaim Awards, former Director and Vice President of Rotary Club of Melbourne, former Chairman of Errol Street Primary School, and of North Strathfield Primary School, and a member of the Committee of Enquiry into University High School. | Elected 30 March 2011 | 2/3 |

* director of Leonards Hill Wind Operations Pty Ltd and Leonards Hill Wind Farm Pty Ltd as at 30 June 2011.

No officer of the co-operative has ever been a partner or director of the co-operative’s current audit firm, Elliott Accounting.

## Indemnification and insurance of officers/auditor

During the course of the year, the co-operative paid premiums of $5,274 for indemnity insurance for directors and officers of the co-operative.

**This report is made in accordance with a resolution of the board and is signed for and on behalf of the directors.**

Signed at Daylesford on this 27th day of October 2011.

| | |
|---|---|
| Simon Holmes à Court<br>Chairman | Martin May<br>Treasurer |

# Auditor's Report and Independence Declaration

Elliott Accounting
Business + Taxation Consultants

35 Main Road, Ballarat Vic 3350
P.O. Box 2177, Bakery Hill, Vic 3354
p 03 5332 8466
f 03 5332 8477

1/11 Howe Street, Daylesford Vic 3460
p 03 5348 3370

e info@elliottaccounting.com.au

26 October 2011

Hepburn Community Wind Park Cooperative Ltd
P O Box 225
DAYLESFORD VIC 3460

The Directors

**RE: Auditors Independence**
**Financial year ended 30th June 2011**

In accordance with Section 307C of the Corporations Act 2001 I advise that to the best of my knowledge there have been:

(1) No contraventions of the auditor independence requirements of the Act in relation to the audit, and
(2) No contraventions of any applicable code of professional conduct in relation to the audit.

Please contact me if this requires further explanation.

Yours faithfully

**Graeme B Wallis**
**ELLIOTT ACCOUNTING**

CPA

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Liability limited by a scheme approved under Professional Standards Legislation.

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**CO-OPERATIVE ACT 1996**

AUDITOR'S REPORT

**HEPBURN COMMUNITY WIND PARK COOPERATIVE LIMITED** and its wholly owned subsidiary companies, Leonards Hill Wind Farm Pty Ltd and Leonards Hill Wind Operations Pty Ltd

**NAME OF CO-OPERATIVE**

To the members,

In my opinion:

1) The accompanying financial statements, being Profit and Loss Account, Balance Sheet, Cash Flows Statement and notes to the accounts ***are** properly drawn up in accordance with the provisions of the Co-operative Act 1996, including

   a) giving a true and fair view of:

      (i) The state of affairs of the Co-operative at 30TH June 2011 and of the results and cash flows of the Co-operative for the year ended on that date; and

      (ii) The other matters require by Section 238 of the Co-operative Act 1996 to be dealt with in the financial statements; and

   b) complying with applicable Accounting Standards and other mandatory professional reporting requirements, with the exception of AASB 132 which requires Members Shares to be classified as a Non-current Liability rather than Equity in the financial statements.
      The circumstances under which the Co-operative is required to repurchase shares are limited to the shares of an inactive member.
      In the unlikely event of a member becoming inactive the Board will re-classify the shares of that member as a liability in the financial statements

2) The accounting records and other records and the registers required by the Act to be kept by the Co-operative ***have** been properly kept in accordance with the provisions of that Act.

3) I/We ***have** been give all information, explanations and assistance necessary for the conduct of the audit.

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Dated at Daylesford this Twenty Sixth day of October 2011 .

............................................................ (signed)
Full Name: Graeme Bruce Wallis
**REGISTERED COMPANY AUDITOR (Reg. No 8734 )**
Telephone No: 03 5332 8466

**IMPORTANT: the auditor of a co-operative must be a registered company auditor. (Sec.238 of Co-operatives Act and section 234 of Chapter 2M of Corporative Law.)**

**Financial statements must consists of Profit & Loss statement, Balance sheet, cash Flows Statement & notes to the accounts.**

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## *AUDIT REPORT – Period 1st July 2010 to 30th June 2011*

***HEPBURN COMMUNITY WIND PARK COOPERATIVE LTD** and its wholly owned subsidiary companies, Leonards Hill Wind Farm Pty Ltd and Leonards Hill Wind Operations Pty Ltd*

**(Referred to in this report as Hepburn Wind)**

**TO :- *THE MEMBERS OF HEPBURN WIND.***

### *Report on the financial report*

I have audited the accompanying financial report of Hepburn Wind which comprises the consolidated balance sheet as at 30th June 2011 and the consolidated income statement and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors declaration

### *The responsibility of the directors for the financial report.*

The Directors of Hepburn Wind are responsible for the preparation and fair representation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Act 2001 and the Victorian Co-operatives Act 1996 This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors responsibility.*

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian auditing standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance that 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 entity's preparation and fair presentation of the financial reports in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Independence.***

In conducting my audit I have complied with the independence requirements of the Australian professional accounting bodies and the Corporations Act 2001.
I confirm that the independence declaration required by the Corporations Act 2001 was provided to the directors of Hepburn Wind at the time of the giving of this report.

***Matters relating to the electronic presentation of the audited financial report.***

The auditor's report relates to the financial report of Hepburn Wind for the year ended 30th June 2011 included on Hepburn Wind website. The directors are responsible for the integrity of Hepburn Wind website. I have not been engaged to report on the integrity of the Hepburn Wind website. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to / from these statements. If users of this report are concerned with inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

***Auditors opinion***

In my opinion, the financial report, of Hepburn Wind is in accordance with the Corporations Act 2001,including:

- giving a true and fair view of the company's financial position as at the 30th June 2011 and of its performance for the year ended on that date; and
- complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

................................
Graeme Bruce Wallis
Elliott Accounting

Dated this 26th day of October 2011

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# Statement of Income

## for the year ended 30 June 2011

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **30 June 2011** | 30 June 2010 | **30 June 2011** | 30 June 2010 |
| | **Note** | **$** | $ | **$** | $ |
| Sales revenue | 2 | **1,710** | - | **1,710** | - |
| Cost of sales | 3 | **(2,433)** | - | **(2,433)** | - |
| Gross Profit/(Loss) | | **(723)** | - | **(723)** | - |
| Other revenue from ordinary activities | 4 | **5,674** | 430,000 | - | 430,000 |
| Administration expenses | 5 | **(128,477)** | (46,272) | **(107,936)** | (46,061) |
| Communications & public meetings | 6 | **(34,745)** | (29,851) | **(34,745)** | (29,851) |
| Other operating expenses | 7 | **(357,274)** | (417,292) | **(226,870)** | (417,292) |
| Personnel expenses | 8 | **(128,489)** | (34,991) | **(128,489)** | (34,991) |
| Depreciation & amortisation | 9 | **(313,794)** | (31,224) | - | - |
| Other income | 10 | **40,118** | 99,939 | **35,967** | 99,939 |
| Interest and extraordinary items | 11 | **(29,207)** | (87,585) | **(5,820)** | (87,585) |
| Profit/(loss) before income tax | | **(946,917)** | (117,276) | **(468,617)** | (85,840) |

The accompanying notes form part of these financial statements.

# Statement of Financial Position

**as at 30 June 2011**

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **30 June 2011** | 30 June 2010 | **30 June 2011** | 30 June 2010 |
| | **Note** | **$** | $ | **$** | $ |
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Inventory | 12 | **3,153** | - | **3,153** | - |
| Receivables | 13 | **36,207** | - | **29,965** | - |
| Investment in subsidiaries | 14 | **-** | - | **120** | - |
| Cash and cash equivalents | 15 | **1,807,866** | 383,307 | **1,735,283** | 383,306 |
| Other assets | 16 | **3,097** | - | **3,097** | - |
| **TOTAL CURRENT ASSETS** | | **1,850,323** | 383,307 | **1,771,618** | 383,306 |
| NON-CURRENT ASSETS | | | | | |
| Plant and grid connection | 17 | **10,414,235** | 6,818,176 | **-** | - |
| Intangibles | 18 | **521** | 681 | **-** | - |
| Other financial assets | 19 | **-** | - | **7,763,496** | 7,476,760 |
| **TOTAL NON-CURRENT ASSETS** | | **10,414,756** | 6,818,857 | **7,763,496** | 7,476,760 |
| **TOTAL ASSETS** | | **12,265,079** | 7,202,164 | **9,535,114** | 7,860,066 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 20 | **186,501** | 22,628 | **174,018** | 22,628 |
| Personnel related items | 21 | **2,287** | - | **2,287** | - |
| Tax liabilities | 22 | **16,385** | (614,613) | **18,934** | 11,854 |
| **TOTAL CURRENT LIABILITIES** | | **205,173** | (591,985) | **195,238** | 34,482 |
| NON-CURRENT LIABILITIES | | | | | |
| Borrowings | 23 | **3,580,374** | - | **350,608** | - |
| **TOTAL NON-CURRENT LIABILITIES** | | **3,580,374** | - | **350,608** | - |
| **TOTAL LIABILITIES** | | **3,785,547** | (591,985) | **545,846** | 34,482 |
| **NET ASSETS** | | **8,479,531** | 7,794,149 | **8,989,268** | 7,825,585 |
| **EQUITY** | | | | | |
| Members capital | 24 | **8,930,107** | 7,512,768 | **8,930,107** | 7,512,768 |
| Applications pending | 25 | **626,510** | 411,550 | **626,510** | 411,550 |
| Retained earnings | | **(1,077,086)** | (130,169) | **(567,349)** | (98,733) |
| **TOTAL EQUITY** | | **8,479,531** | 7,794,149 | **8,989,268** | 7,825,585 |

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

**for the year ended 30 June 2011**

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | **30 June 2011** | 30 June 2010 | **30 June 2011** | 30 June 2010 |
| | **Note** | **$** | **$** | **$** | **$** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Receipts from customers | | **58,052** | 430,000 | **58,619** | 430,000 |
| Payments to suppliers and employees | 27 | **2,231,575** | (606,967) | **(387,888)** | (605,955) |
| Interest received | | **40,118** | 99,939 | **35,967** | 99,939 |
| Finance costs | | **(29,207)** | - | **(5,820)** | - |
| GST payments/(refunds) | | **1,050,808** | (604,742) | **(44,952)** | 21,725 |
| Net cash provided by operating activities | 26 | **3,351,346** | (681,770) | **(344,074)** | (54,291) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Payment for property, plant and equipment | | **(3,909,693)** | (6,849,281) | **-** | - |
| Investment in subsidiaries | | **-** | - | **(120)** | - |
| Loans to related entities | | **-** | - | **(286,736)** | (7,476,760) |
| Net cash used in investing activities | | **(3,909,693)** | (6,849,281) | **(286,856)** | (7,476,760) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from share applications | | **1,632,299** | 3,149,350 | **1,632,299** | 3,149,350 |
| Proceeds from unsecured borrowing | | **350,608** | - | **350,608** | - |
| Net cash (used in) financing activities | | **1,982,907** | 3,149,350 | **1,982,907** | 3,149,350 |
| Net increase/(decrease) in cash held | | **1,424,560** | (4,381,701) | **1,351,977** | (4,381,701) |
| Cash at beginning of year | | **383,306** | 4,765,007 | **383,306** | 4,765,007 |
| **Cash at end of year** | 15 | **1,807,866** | 383,306 | **1,735,283** | 383,306 |

The accompanying notes form part of these financial statements.

# Notes to Financial Statements

**for the year ended 30 June 2011**

## Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report covers Hepburn Community Wind Park Co-operative Ltd and its subsidiaries Leonards Hill Wind Operations Pty Ltd & Leonards Hill Wind Farm Pty Ltd as a consolidated group. Hepburn Community Wind Park Co-operative Ltd is a co-operative registered in Victoria, Australia. Leonards Hill Wind Operations Pty Ltd and Leonards Hill Wind Farm Pty Ltd are companies limited by shares and domiciled in Victoria

The financial report of Hepburn Community Wind Park Co-operative Ltd complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Basis of Preparation**

*Principles of Consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hepburn Community Wind Park Co-operative Ltd as at 30 June 2011 and the results of all subsidiaries for the year ended then. The effects of all transactions between entities in the consolidated entity are eliminated to nil.

*Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**Accounting Policies**

a. **Income Tax**
The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

b. **Property, Plant and Equipment**
Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Property**
Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**
Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

**Depreciation**
The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the entity 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.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 4% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c. **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 entities in the economic entity 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 their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

d. **Financial Instruments**

**Recognition**
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets at fair value through profit and loss**
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

**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 stated at amortised cost using the effective interest rate method.

**Held-to-maturity investments**
These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

**Available-for-sale financial assets**
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**Financial liabilities**
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Derivative instruments**
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

**Fair value**
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**
At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

e. **Impairment of Assets**
At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over it recoverable amount is expensed to the income statement.

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

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.

f. **Investments in Associates**
Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the entity's share of post-acquisition reserves of its associates.

g. **Intangibles**

**Goodwill**
Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

h. **Foreign Currency Transactions and Balances**

**Transaction and balances**
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

i. **Employee Benefits**
Provision is made for the co-operative's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

j. **Provisions**
Provisions are recognised when the co-operative has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

k. **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

l. **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

m. **Finance Costs**

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other finance costs are recognised in income in the period in which they are incurred.

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 balance sheet are shown inclusive of GST.

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

o. **Government Grants**

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit and loss on a systematic and rational basis over the useful lives if the related assets.

p. **Comparative Figures**

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

**Critical accounting estimates and judgments**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the co-operative.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **30 June 2011** | 30 June 2010 | **30 June 2011** | 30 June 2010 |
| | **$** | $ | **$** | $ |

## Note 2: Sales Revenue

| | | | | |
|---|---|---|---|---|
| Sales of merchandise | **1,710** | - | **1,710** | - |
| | **1,710** | - | **1,710** | - |

## Note 3: Cost of Sales

| | | | | |
|---|---|---|---|---|
| Purchases — merchandise | **5,586** | - | **5,586** | - |
| Closing stock | **(3,153)** | - | **(3,153)** | - |
| | **2,433** | - | **2,433** | - |

## Note 4: Other Revenue

| | | | | |
|---|---|---|---|---|
| Reimbursements | **-** | 5,000 | **-** | 5,000 |
| Service fee | **5,674** | - | **-** | - |
| Grants | **-** | 425,000 | **-** | 425,000 |
| | **5,674** | 430,000 | **-** | 430,000 |

## Note 5: Administrative Expenses

| | | | | |
|---|---|---|---|---|
| Accounting fees | **33,756** | 13,936 | **33,656** | 13,936 |
| Audit fees | **2,700** | (550) | **2,700** | (550) |
| Bank charges | **20,025** | 435 | **365** | 435 |
| Bookkeeping | **11,450** | - | **11,450** | - |
| Computer & website | **692** | 1,883 | **692** | 1,883 |
| Fines & Penalties | **67** | - | **-** | - |
| Legal services | **18,746** | 12,816 | **18,746** | 12,817 |
| Printing, postage & stationary | **17,980** | 5,925 | **17,980** | 5,925 |
| Secretarial fees | **714** | 212 | **-** | - |
| Share registry | **15,900** | 8,944 | **15,900** | 8,944 |
| Telephone, mobile & internet | **6,448** | 2,671 | **6,448** | 2,671 |
| | **128,477** | 46,272 | **107,936** | 46,061 |

## Note 6: Communications & Public Meetings

| | | | | |
|---|---|---|---|---|
| Advertising | **10,077** | 20,761 | **10,077** | 20,761 |
| Entertainment | **3,541** | - | **3,541** | |
| Meetings, stalls and travel | **21,127** | 9,090 | **21,127** | 9,090 |
| | **34,745** | 29,851 | **34,745** | 29,851 |

## Note 7: Other Operating Expenses

| | | | | |
|---|---|---|---|---|
| Insurance | **6,306** | 5,851 | **6,306** | 5,851 |
| Licence fees | **664** | - | **664** | - |
| Project development | **223,374** | 379,060 | **216,000** | 379,060 |
| Project management | **117,355** | 32,381 | **-** | 32,381 |
| Rent | **9,574** | - | **3,900** | - |
| | **357,274** | 417,292 | **226,870** | 417,292 |

## Note 8: Personnel Expenses

| | | | | |
|---|---|---|---|---|
| Contractors | **120,063** | 34,752 | **120,063** | 34,752 |
| Recruitment costs | **444** | 239 | **444** | 239 |
| Staff training & welfare | **252** | - | **252** | - |
| Superannuation contributions | **7,349** | - | **7,349** | - |
| Workcover | **382** | - | **382** | - |
| | **128,489** | **34,991** | **128,489** | **34,991** |

## Note 9: Depreciation & Amortisation

| | | | | |
|---|---|---|---|---|
| Depreciation | **313,634** | 31,105 | **-** | - |
| Amortisation | **160** | 119 | **-** | - |
| | **313,794** | 31,224 | **-** | - |

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **30 June 2011** | 30 June 2010 | **30 June 2011** | 30 June 2010 |
| **Note 10: Other Income** | | | | |
| Interest received | **40,118** | 99,939 | **35,967** | 99,939 |
| | **40,118** | 99,939 | **35,967** | 99,939 |
| **Note 11: Interest & Extraordinary Items** | | | | |
| Interest paid | **29,207** | - | **5,820** | - |
| Realised losses | **-** | 87,585 | **-** | 87,585 |
| | **29,207** | 87,585 | **5,820** | **87,585** |
| **Note 12: Inventory** | | | | |
| Stock on hand | **3,153** | **-** | **3,153** | **-** |
| | **3,153** | **-** | **3,153** | **-** |
| **Note 13: Receivables** | | | | |
| Trade debtors | **36,207** | **-** | **29,965** | **-** |
| | **36,207** | **-** | **29,965** | **-** |
| **Note 14: Shares in Subsidiaries** | | | | |
| Leonards Hill Wind Operations Pty Ltd | **-** | **-** | **20** | **-** |
| Leonards Hill Wind Farm Pty Ltd | **-** | **-** | **100** | **-** |
| | **-** | - | **120** | - |
| **Note 15: Cash Assets** | | | | |
| Bendigo Bank — Operating account | **46,237** | 4,437 | **23,654** | 4,437 |
| Bendigo Bank — Share offer trust account | **100,074** | 125,846 | **100,074** | 125,846 |
| Bendigo Bank — High interest share offer account | **941,555** | 253,023 | **941,555** | 253,023 |
| Bendigo Bank — Term Deposit Guaranteed | **720,000** | - | **670,000** | - |
| | **1,807,866** | 383,306 | **1,735,283** | 383,306 |
| **Note 16: Other Assets** | | | | |
| Monies on trust | **3,097** | **-** | **3,097** | - |
| | **3,097** | **-** | **3,097** | **-** |
| **Note 17: Plant and Grid Connection** | | | | |
| Wind Farm Construction | **10,650,406** | 6,849,281 | **-** | **-** |
| Less accumulated depreciation | **(341,596)** | (31,105) | **-** | - |
| | **10,308,810** | 6,818,176 | **-** | - |
| Wind Farm Development | **16,620** | - | **-** | - |
| Less accumulated depreciation | **(1,623)** | - | **-** | - |
| | **14,997** | | **-** | - |
| Wind Farm Compliance | **88,597** | - | **-** | - |
| Less accumulated depreciation | **(1,390)** | - | **-** | - |
| | **87,207** | | **-** | - |
| Wind Farm Project Management | **3,350** | - | **-** | - |
| Less accumulated depreciation | **(130)** | - | **-** | - |
| | **3,220** | | **-** | - |
| Total Plant & Equipment | **10,414,235** | 6,818,176 | **-** | - |

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **30 June 2011** | 30 June 2010 | **30 June 2011** | 30 June 2010 |

## Note 18: Intangibles

| | | | | |
|---|---|---|---|---|
| Formation costs | **800** | 800 | **-** | - |
| Less accumulated amortisation | **(279)** | (119) | **-** | - |
| | **521** | 681 | **-** | - |

## Note 19: Other Financial Assets

| | | | | |
|---|---|---|---|---|
| Leonards Hill Wind Operations Pty Ltd | **-** | - | **7,762,766** | 7,476,148 |
| Leonards Hill Wind Farm Pty Ltd | **-** | - | **730** | 612 |
| | **-** | - | **7,763,496** | 7,476,760 |

## Note 20: Trade & Other Payables

| | | | | |
|---|---|---|---|---|
| Trade creditors | **186,501** | 22,628 | **174,018** | 22,628 |
| | **186,501** | 22,628 | **174,018** | 22,628 |

## Note 21: Personnel Related Items

| | | | | |
|---|---|---|---|---|
| Superannuation payable | **2,287** | - | **2,287** | - |
| | **2,287** | - | **2,287** | - |

## Note 22: Tax Liabilities

| | | | | |
|---|---|---|---|---|
| GST prior year liabilities | **(614,613)** | (9,871) | **11,854** | (9,871) |
| GST collected | **90,539** | 43,549 | **89,971** | 43,549 |
| GST paid | **(510,348)** | (679,459) | **(37,939)** | (52,992) |
| GST payments/refunds) | **1,050,808** | 31,168 | **(44,952)** | 31,168 |
| | **16,385** | (614,613) | **18,934** | 11,854 |

## Note 23: Borrowings

| | | | | |
|---|---|---|---|---|
| Bendigo Bank Ltd — secured | **3,229,766** | - | **-** | - |
| Loans — unsecured | **350,608** | - | **350,608** | - |
| | **3,580,374** | - | **350,608** | - |

## Note 24: Equity

The treatment of member funds in a co-operative as equity or liability is addressed in AASB 132 and specifically in UIG Interpretation 2. Members funds 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 inactivity. The rules of Hepburn Wind do not make provision for members to request redemption. Repayment of members funds may be required under Rule 20 within 12 months after a member has been inactive or uncontactable for three years. Accordingly, no members funds are currently repayable and the directors and the auditor have formed the view that there is currently no future liability to repay member funds that is significant, probable and can be reliably measured. Member funds have therefore been treated as equity.

| | | | | |
|---|---|---|---|---|
| Members capital | **8,930,107** | 7,512,768 | **8,930,107** | 7,512,768 |
| | **8,930,107** | 7,512,768 | **8,930,107** | 7,512,768 |

## Note 25: Applications Pending

This consists of Victorian and interstate applications which had been received and not formally accepted at 30 June 2011. A number of applications from applicants residing outside Victoria are being held pending approval from the various state registrars and ASIC.

| | | | | |
|---|---|---|---|---|
| Pending applications | **626,510** | 411,550 | **626,510** | 411,550 |
| | **626,510** | 411,550 | **626,510** | 411,550 |

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **30 June 2011** | 30 June 2010 | **30 June 2011** | 30 June 2010 |

## Note 26: Cash Flow Information

**a. Reconciliation of cash**

Cash at end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | Consolidated 30 June 2011 | Consolidated 30 June 2010 | Parent 30 June 2011 | Parent 30 June 2010 |
|---|---|---|---|---|
| Cash on hand | **1,807,866** | 383,307 | **1,735,283** | 383,306 |

**b. Reconciliation of cash flow from operations with profit after income tax**

| | Consolidated 30 June 2011 | Consolidated 30 June 2010 | Parent 30 June 2011 | Parent 30 June 2010 |
|---|---|---|---|---|
| Profit/(loss) after income tax | **(946,917)** | (117,276) | **(468,616)** | (85,840) |
| (Increase)/decrease in trade & other receivables | **(39,304)** | - | **(33,062)** | - |
| Increase/(decrease) in inventories | **(3,153)** | - | **(3,153)** | - |
| Increase/(decrease) in trade & other payables | **3,395,927** | 9,063 | **153,677** | 9824.63 |
| Increase/(decrease) in taxes payable | **630,998** | - 604,742 | **7,080** | 21724.92 |
| Depreciation | **313,634** | 31,105 | **-** | - |
| Amortisation | **160** | 80 | **-** | - |
| Cash flow from operations | **3,351,345** | (681,770) | **(344,074)** | (54,291) |

## Note 27: Payments to Suppliers & Employees

| | Consolidated 30 June 2011 | Parent 30 June 2011 |
|---|---|---|
| Merchandise purchase | **(5,586)** | **(5,586)** |
| Administration | **(127,914)** | **(107,936)** |
| Communications & public meetings | **(34,745)** | **(34,745)** |
| Other operating expenses | **(351,944)** | **(226,870)** |
| Personnel | **(128,489)** | **(128,489)** |
| GST paid on expenses | **(509,781)** | **(37,939)** |
| Movement in trade creditors | **157,632** | **151,390** |
| Movement in superannuation payable | **2,287** | **2,287** |
| Bendigo Bank Limited loan | **3,229,766** | **-** |
| | **2,231,226** | **(387,888)** |

## Note 28: Subsidiaries

Details of the Group's subsidiaries at end of reporting period are as follows:

| **Name of subsidiary** | **Principal activity** | **Place of incorporation** | **Proportion of ownership interest and voting power of the group** | |
|---|---|---|---|---|
| Leonards Hill Wind Operations Pty Ltd | Wind farm operation | Victoria | 100% | 100% |
| Leonards Hill Wind Farm Pty Ltd | Lease of land | Victoria | 100% | 100% |

## Note 29: Co-operative Details

The registered office of the co-operative is C/- LiMA Accounting & Consulting, 20 Albert St, Daylesford, Victoria 3460.

The principal place of business is 13 Knox St, Daylesford, Victoria 3460.

# Directors' Declaration

We, Simon Holmes à Court and Martin May, being two of the directors of Hepburn Community Wind Park Co-operative Ltd state on behalf of and in accordance with a resolution of the directors, declare that, in the opinion of the directors:

1. the accompanying financial statement and notes for the financial year ended 30 June 2011 are prepared in accordance with the requirements of the *Co-operatives Act 1996*, and:
   a. give a true and fair view of the financial position and performance of the co-operative at the end of the financial year; and
   b. comply with all applicable accounting standards.
2. At the date of this declaration, there are reasonable grounds to believe that the co-operative will be able to pay its debts as and when they become due and payable.
3. The co-operative has kept such accounting records that correctly record and explain the transactions and financial position of the co-operative.

Declared and dated at Daylesford this 27th day of October 2011.

On behalf of the board.

| | |
|---|---|
| Simon Holmes à Court | Martin May |
| Chairman | Treasurer |

# Leonards Hill Wind Operations Pty Ltd

**ABN 86 141 239 894**

## FINANCIAL REPORT

**For the year ended 30 June 2011**

Prepared by
**LiMA Accounting & Consulting**
C/- LiMA Accounting & Consulting
PO Box 385
DAYLESFORD VIC 3460


# Leonards Hill Wind Operations Pty Ltd

**ABN 86 141 239 894**

## FINANCIAL REPORT


## Contents

## Leonards Hill Wind Operations Pty Ltd

**ABN 86 141 239 894**

### INCOME STATEMENT

**For the year ended 30 June 2011**

| | Note | 2011 $ | 2010 $ |
|---|---|---|---|
| Administrative expenses | 2 | (19,978.26) | - |
| Other operating expenses | 3 | (125,073.99) | - |
| Depreciation and amortisation expenses | 4 | (313,714.15) | (31,143.74) |
| Other income | 5 | 4,150.47 | - |
| Interest and extraordinary items | 6 | (23,387.00) | - |
| LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX | | (478,002.93) | (31,143.74) |
| Accumulated loss at the beginning of the financial year | | (31,143.74) | - |
| TOTAL AVAILABLE FOR APPROPRIATION | | (509,146.67) | (31,143.74) |

The accompanying notes form part of these financial statements.
These statements should be read in conjunction with the attached compilation report.



## Leonards Hill Wind Operations Pty Ltd

**ABN 86 141 239 894**

### BALANCE SHEET

**As at 30 June 2011**

| | Note | 2011 $ | 2010 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Receivables | 7 | 2,548.48 | 626,466.81 |
| Cash assets | 8 | 72,582.88 | 20.00 |
| **TOTAL CURRENT ASSETS** | | **75,131.36** | **626,486.81** |
| **NON-CURRENT ASSETS** | | | |
| Plant and grid connection | 9 | 10,414,234.51 | 6,818,175.97 |
| Intangible assets | 10 | 281.42 | 361.42 |
| **TOTAL NON-CURRENT ASSETS** | | **10,414,515.93** | **6,818,537.39** |
| **TOTAL ASSETS** | | **10,489,647.29** | **7,445,024.20** |
| **CURRENT LIABILITIES** | | | |
| Payables | 11 | 6,241.82 | - |
| Interest bearing liabilities | 12 | 3,229,766.00 | - |
| **TOTAL CURRENT LIABILITIES** | | **3,236,007.82** | **-** |
| **NON-CURRENT LIABILITIES** | | | |
| Interest bearing liabilities | 12 | 7,762,766.14 | 7,476,147.94 |
| **TOTAL NON-CURRENT LIABILITIES** | | **7,762,766.14** | **7,476,147.94** |
| **TOTAL LIABILITIES** | | **10,998,773.96** | **7,476,147.94** |
| **NET ASSETS** | | **(509,126.67)** | **(31,123.74)** |
| **EQUITY** | | | |
| Accumulated losses | | (509,146.67) | (31,143.74) |
| Other equity | 13 | 20.00 | 20.00 |
| **TOTAL EQUITY** | | **(509,126.67)** | **(31,123.74)** |

The accompanying notes form part of these financial statements.
These statements should be read in conjunction with the attached compilation report.

# Leonards Hill Wind Operations Pty Ltd

**ABN 86 141 239 894**

## STATEMENT OF CASH FLOWS

**For the year ended 30 June 2011**

| | Note | 2011 $ | 2010 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | 2,619,113.90 | - |
| Interest received | | 4,150.47 | - |
| Finance costs | | (23,387.00) | - |
| Taxes paid | | 1,095,760.00 | (626,466.81) |
| Net cash provided by operating activities | **14** | 3,695,637.37 | (626,466.81) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | (3,909,692.69) | (6,849,281.13) |
| Loans to related parties - payments made | | 20.00 | (20.00) |
| Loans to related parties - proceeds from repayments | | 286,618.20 | 7,476,147.94 |
| Net cash provided by investing activities | | (3,623,054.49) | 626,846.81 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | - | 20.00 |
| Net increase in cash held | | 72,582.88 | - |
| Cash at end of year | | 72,582.88 | - |



# Leonards Hill Wind Operations Pty Ltd

**ABN 86 141 239 894**

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2011**

| | 2011 $ | 2010 $ |
|---|---|---|

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report covers Leonards Hill Wind Operations Pty Ltd as an individual entity. Leonards Hill Wind Operations Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report of Leonards Hill Wind Operations Pty Ltd complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Basis of Preparation**

*First-time adoption of Australian equivalents to International Financial Reporting Standards*

Leonards Hill Wind Operations Pty Ltd has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of Leonards Hill Wind Operations Pty Ltd to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented. The company has elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer Notes for further details.

Financial statements of the company until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain aspects to AIFRS. As there has not been any material impact by adopting the revised statements, a reconciliation has not been disclosed.

*Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**Accounting Policies**

**a. Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |

arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**b. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

**c. Property, Plant and Equipment**

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

**Property**

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation





| | 2011 | 2010 |
|---|---|---|
| | $ | $ |

reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

**Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the entity 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.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 4% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**d. 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 entities in the economic entity 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 their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.
Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**e. Financial Instruments**

**Recogition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |

term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

**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 stated at amortised cost using the effective interest rate method.

**Held-to-maturity investments**
These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

**Available-for-sale financial assets**
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**Financial liabilities**
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Derivative instruments**
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

**Fair value**
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm 's length transactions, reference to similar instruments and option pricing models.

**Impairment**
At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

f. **Impairment of Assets**
At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset 's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset 's carrying value over it recoverable amount is expensed to the income statement.
Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.
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.

g. **Investments in Associates**
Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the entity's share of post-acquisition reserves of its associates.





| | 2011 | 2010 |
|---|---|---|
| | $ | $ |

h. **Intangibles**

**Goodwill**
Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**Research and development**
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.
Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

i. **Foreign Currency Transactions and Balances**
**Transaction and balances**
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.
Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.
Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

**j. Employee Benefits**
Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**k. Provisions**
Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

**l. Cash and Cash Equivalents**
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**m. Revenue**
Revenue from the sale of goods is recognised upon the delivery of goods to customers.
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
Dividend revenue is recognised when the right to receive a dividend has been established. Dividends

received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.
All revenue is stated net of the amount of goods and services tax (GST).

**n. Finance Costs**

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.
All other finance costs are recognised in income in the period in which they are incurred.

**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 an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.
Cash flows are presented in the cash flow statement 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.

**Critical accounting estimates and judgments**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

| | 2011 $ | 2010 $ |
|---|---|---|
| **NOTE 2: ADMINISTRATIVE EXPENSES** | | |
| Accounting fees | 100.00 | - |
| Bank charges | 19,660.26 | - |
| Secretarial services | 218.00 | - |
| | 19,978.26 | - |
| **NOTE 3: OTHER OPERATING EXPENSES** | | |
| Fines and penalties | 345.00 | - |
| Wind farm compliance | 712.70 | - |
| Wind farm construction | 6,568.11 | - |
| Wind farm development | 805.40 | - |
| Wind farm operation | 5,674.38 | - |
| Wind farm project management | 110,968.40 | - |
| | 125,073.99 | - |
| **NOTE 4: DEPRECIATION AND AMORTISATION EXPENSES** | | |
| Depreciation | 313,634.15 | 31,105.16 |
| Amortisation - Formation | 80.00 | 38.58 |
| | 313,714.15 | 31,143.74 |

These notes should be read in conjunction with the attached compilation report.





| | 2011 $ | 2010 $ |
|---|---|---|
| **NOTE 5: OTHER INCOME** | | |
| Interest received | 4,150.47 | - |
| **NOTE 6: OTHER EXPENSES** | | |
| Interest paid | 23,387.00 | - |
| **NOTE 7: RECEIVABLES** | | |
| GST receivable | 2,548.48 | 626,466.81 |
| **NOTE 8: CASH ASSETS** | | |
| Cash on hand | - | 20.00 |
| Cheque account | 22,582.88 | - |
| Bendigo Bank - Term Deposit | 50,000.00 | - |
| | 72,582.88 | 20.00 |
| **NOTE 9: PLANT AND GRID CONNECTION** | | |
| Wind Farm Development at cost | 16,620.00 | - |
| Less accumulated depreciation | (1,623.43) | - |
| Wind Farm Construction at cost | 10,650,406.48 | 6,849,281.13 |
| Less accumulated depreciation | (341,596.32) | (31,105.16) |
| Wind Farm Project Management at cost | 88,597.34 | - |
| Less accumulated depreciation | (1,389.93) | - |
| Office equipment at cost | 3,350.00 | - |
| Less accumulated depreciation | (129.63) | - |
| | 10,414,234.51 | 6,818,175.97 |
| **NOTE 10: INTANGIBLE ASSETS** | | |
| Formation expenses | 400.00 | 400.00 |
| Less accumulated amortisation | (118.58) | (38.58) |
| | 281.42 | 361.42 |
| **NOTE 11: PAYABLES** | | |
| Trade creditors | 6,241.82 | - |
| **NOTE 12: INTEREST BEARING LIABILITIES** | | |
| Loan - Bendigo Bank Ltd | 3,229,766.00 | - |
| Loans - Hepburn Community Wind Park Co-op | 7,762,766.14 | 7,476,147.94 |
| | 10,992,532.14 | 7,476,147.94 |
| **NOTE 13: OTHER EQUITY** | | |
| Issued capital | 20.00 | 20.00 |

These notes should be read in conjunction with the attached compilation report.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

| | 2011 $ | 2010 $ |
|---|---|---|

### NOTE 14: CASH FLOW INFORMATION

For the purposes of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts

a. **Reconciliation of Cash**

Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows :

| | 2011 $ | 2010 $ |
|---|---|---|
| Cash on hand | 72,582.88 | - |

b. **Reconciliation of CashFlow from Operations with Profit from Ordinary Activities after Income Tax**

| | 2011 $ | 2010 $ |
|---|---|---|
| Profit after income tax | (478,002.93) | (31,143.74) |
| Amortisation | 80.00 | 38.58 |
| Depreciation | 313,634.15 | 31,105.16 |
| Increase / (Decrease) in trade and other payables | 3,236,007.82 | - |
| Increase / (Decrease) in taxes payable | 623,918.33 | (626,466.81) |
| Cash flow from operations | 3,695,637.37 | (626,466.81) |

These notes should be read in conjunction with the attached compilation report.





## DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes attached, present fairly the company's financial position as at 30/06/2011 and its performance for the year ended on that date in accordance with Accounting Standards and other mandatory professional reporting requirements;

2. in the directors'opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director : ________________________

Dated : 26/10/2011

# Leonards Hill Wind Operations Pty Ltd

**ABN 86 141 239 894**

**COMPILATION REPORT**

On the basis of information provided by the directors of Leonards Hill Wind Operations Pty Ltd , we have compiled in accordance with APES 315: *Compilation of Financial Information* the special purpose financial report of the client for the year ended 30/06/2011.

The directors are solely responsible for the information contained in the general purpose financial report.

Our procedures use accounting expertise to collect, classify and summarise the financial information which the directors provided into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person other than the company may suffer arising from any negligence on our part. No person should rely on the general purpose financial report without having an audit or review conducted.

The general purpose financial report was prepared exclusively for the benefit of the company. We do not accept responsibility to any other person for the contents of the general purpose financial report.

Name of Firm LiMA Accounting & Consulting

Name of Partner ________________________
Lily Andrew

LiMA Accounting & Consulting
C/- LiMA Accounting & Consulting PO Box 385
DAYLESFORD VIC 3460

Dated : 26/10/2011

# Leonards Hill Wind Farm Pty Ltd

**ABN 93 132 576 544**

## FINANCIAL REPORT

**For the year ended 30 June 2011**

Prepared by
**LiMA Accounting & Consulting**
C/- LiMA Accounting & Consulting
PO Box 385
DAYLESFORD VIC 3460

# Leonards Hill Wind Farm Pty Ltd

**ABN 93 132 576 544**

## FINANCIAL REPORT

# Contents

## Leonards Hill Wind Farm Pty Ltd

**ABN 93 132 576 544**

### INCOME STATEMENT

**For the year ended 30 June 2011**

| | Note | 2011 $ | 2010 $ |
|---|---|---|---|
| Sales revenue | **2** | 5,674.38 | - |
| Gross profit | | 5,674.38 | - |
| Administrative expenses | **3** | (218.00) | (212.00) |
| Other operating expenses | **4** | (5,674.38) | - |
| Depreciation and amortisation expenses | **5** | (80.00) | (80.00) |
| LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX | | (298.00) | (292.00) |
| Accumulated loss at the beginning of the financial year | | (292.00) | - |
| TOTAL AVAILABLE FOR APPROPRIATION | | (590.00) | (292.00) |

The accompanying notes form part of these financial statements.
These statements should be read in conjunction with the attached compilation report.



## Leonards Hill Wind Farm Pty Ltd

**ABN 93 132 576 544**

### BALANCE SHEET

**As at 30 June 2011**

| | Note | 2011 $ | 2010 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Receivables | **6** | 6,241.82 | - |
| Cash assets | **7** | - | 20.00 |
| **TOTAL CURRENT ASSETS** | | **6,241.82** | **20.00** |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | **8** | 240.00 | 320.00 |
| **TOTAL NON-CURRENT ASSETS** | | **240.00** | **320.00** |
| **TOTAL ASSETS** | | **6,481.82** | **340.00** |
| **CURRENT LIABILITIES** | | | |
| Payables | **9** | 6,241.82 | - |
| **TOTAL CURRENT LIABILITIES** | | **6,241.82** | **-** |
| **NON-CURRENT LIABILITIES** | | | |
| Interest bearing liabilities | **10** | 730.00 | 612.00 |
| **TOTAL NON-CURRENT LIABILITIES** | | **730.00** | **612.00** |
| **TOTAL LIABILITIES** | | **6,971.82** | **612.00** |
| **NET ASSETS** | | **(490.00)** | **(272.00)** |
| **EQUITY** | | | |
| Accumulated losses | | (590.00) | (292.00) |
| Other equity | **11** | 100.00 | 20.00 |
| **TOTAL EQUITY** | | **(490.00)** | **(272.00)** |

The accompanying notes form part of these financial statements.
These statements should be read in conjunction with the attached compilation report.

## Leonards Hill Wind Farm Pty Ltd
**ABN 93 132 576 544**
### STATEMENT OF CASH FLOWS
**For the year ended 30 June 2011**

| | Note | 2011 $ | 2010 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | (567.44) | - |
| Payments to suppliers and employees | | 349.44 | (212.00) |
| Net cash provided by operating activities | **12** | (218.00) | (212.00) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Loans to related parties - proceeds from repayments | | 118.00 | 612.00 |
| Net cash provided by investing activities | | 118.00 | 612.00 |



## Leonards Hill Wind Farm Pty Ltd
**ABN 93 132 576 544**
### NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2011**

| | 2011 $ | 2010 $ |
|---|---|---|

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report covers Leonards Hill Wind Farm Pty Ltd as an individual entity. Leonards Hill Wind Farm Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

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In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of Leonards Hill Wind Farm Pty Ltd to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented. The company has elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer Notes for further details.

Financial statements of the company until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain aspects to AIFRS. As there has not been any material impact by adopting the revised statements, a reconciliation has not been disclosed.

*Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**Accounting Policies**

**a. Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |

arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**b. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

**c. Property, Plant and Equipment**

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

**Property**

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation



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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |

reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

**Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the entity 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.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 4% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**d. 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 entities in the economic entity 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 their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.
Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**e. Financial Instruments**

**Recogition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short

| | 2011 | 2010 |
|---|---|---|
| | $ | $ |

term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

**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 stated at amortised cost using the effective interest rate method.

**Held-to-maturity investments**
These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

**Available-for-sale financial assets**
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**Financial liabilities**
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Derivative instruments**
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

**Fair value**
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm 's length transactions, reference to similar instruments and option pricing models.

**Impairment**
At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

f. **Impairment of Assets**
At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset 's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset 's carrying value over it recoverable amount is expensed to the income statement.
Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.
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.

g. **Investments in Associates**
Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the entity's share of post-acquisition reserves of its associates.





| | 2011 | 2010 |
|---|---|---|
| | $ | $ |

h. **Intangibles**

**Goodwill**
Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**Research and development**
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.
Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

i. **Foreign Currency Transactions and Balances**
**Transaction and balances**
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.
Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.
Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

**j.** **Employee Benefits**
Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**k.** **Provisions**
Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

**l.** **Cash and Cash Equivalents**
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**m.** **Revenue**
Revenue from the sale of goods is recognised upon the delivery of goods to customers.
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
Dividend revenue is recognised when the right to receive a dividend has been established. Dividends

| | 2011 $ | 2010 $ |
|---|---|---|

received from associates and joint venture entities are accounted for in accordance with the equity method of accounting. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.
All revenue is stated net of the amount of goods and services tax (GST).

**n. Finance Costs**

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.
All other finance costs are recognised in income in the period in which they are incurred.

**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 an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.
Cash flows are presented in the cash flow statement 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.

**Critical accounting estimates and judgments**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

| | 2011 $ | 2010 $ |
|---|---|---|
| **NOTE 2: SALES REVENUE** | | |
| Management fees | 5,674.38 | - |
| **NOTE 3: ADMINISTRATIVE EXPENSES** | | |
| Secretarial services | 218.00 | 212.00 |
| **NOTE 4: OTHER OPERATING EXPENSES** | | |
| Rental expenses | 5,674.38 | - |
| **NOTE 5: DEPRECIATION AND AMORTISATION EXPENSES** | | |
| Amortisation - Formation | 80.00 | 80.00 |
| **NOTE 6: RECEIVABLES** | | |
| Trade debtors | 6,241.82 | - |
| **NOTE 7: CASH ASSETS** | | |
| Cash on hand | - | 20.00 |





| | 2011 $ | 2010 $ |
|---|---|---|
| **NOTE 8: INTANGIBLE ASSETS** | | |
| Formation expenses | 400.00 | 400.00 |
| Less accumulated amortisation | (160.00) | (80.00) |
| | 240.00 | 320.00 |
| **NOTE 9: PAYABLES** | | |
| Trade creditors | 6,241.82 | - |
| **NOTE 10: INTEREST BEARING LIABILITIES** | | |
| Loan - Hepburn Community Wind Park Co-operative Ltd | 730.00 | 612.00 |
| **NOTE 11: OTHER EQUITY** | | |
| Issued capital | 100.00 | 20.00 |

**NOTE 12: CASH FLOW INFORMATION**

For the purposes of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts

a. **Reconciliation of Cash**

Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows :

b. **Reconciliation of CashFlow from Operations with Profit from Ordinary Activities after Income Tax**

| | 2011 $ | 2010 $ |
|---|---|---|
| Profit after income tax | (298.00) | (292.00) |
| Amortisation | 80.00 | 80.00 |
| (Increase) / Decrease in trade and other receivables | (6,241.82) | - |
| Increase / (Decrease) in trade and other payables | 6,241.82 | - |
| Increase / (Decrease) in taxes payable | - | - |
| Cash flow from operations | (218.00) | (212.00) |

# Leonards Hill Wind Farm Pty Ltd
**ABN 93 132 576 544**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. the financial statements and notes attached, present fairly the company's financial position as at 30/06/2011 and its performance for the year ended on that date in accordance with Accounting Standards and other mandatory professional reporting requirements;

2. in the directors'opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director : ________________________

Dated : 26/10/2011



# Leonards Hill Wind Farm Pty Ltd
**ABN 93 132 576 544**

**COMPILATION REPORT**

On the basis of information provided by the directors of Leonards Hill Wind Farm Pty Ltd , we have compiled in accordance with APES 315: *Compilation of Financial Information* the special purpose financial report of the client for the year ended 30/06/2011.

The directors are solely responsible for the information contained in the general purpose financial report.

Our procedures use accounting expertise to collect, classify and summarise the financial information which the directors provided into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person other than the company may suffer arising from any negligence on our part. No person should rely on the general purpose financial report without having an audit or review conducted.

The general purpose financial report was prepared exclusively for the benefit of the company. We do not accept responsibility to any other person for the contents of the general purpose financial report.

Name of Firm LiMA Accounting & Consulting

Name of Partner ________________________
Lily Andrew

LiMA Accounting & Consulting
C/- LiMA Accounting & Consulting PO Box 385
DAYLESFORD VIC 3460

Dated : 26/10/2011