



ASX RELEASE

Infigen Energy

Level 22, 56 Pitt Street Sydney NSW 2000 Australia
T +61 8031 9900 F +61 2 9247 6086

Infigen Energy Limited ABN 39 105 051 616

Infigen Energy Trust ARSN 116 244 118

Infigen Energy (Bermuda) Limited ARBN 116 360 715

www.infigenenergy.com

30 August 2012

APPENDIX 4E AND FY12 ANNUAL FINANCIAL REPORT

Attached are the following reports relating to Infigen Energy (ASX: IFN):

- Appendix 4E – Preliminary Final Report
- Infigen Energy Group Annual Financial Report to 30 June 2012

ENDS

For further information please contact:
Richard Farrell, Investor Relations Manager
Tel +61 2 8031 9900

About Infigen Energy

Infigen Energy is a specialist renewable energy business. We have interests in 24 wind farms across Australia and the United States. With a total installed capacity in excess of 1,600MW (on an equity interest basis), we currently generate enough renewable energy per year to power over half a million households.

As a fully integrated renewable energy business in Australia, we develop, build, own and operate energy generation assets and directly manage the sale of the electricity that we produce to a range of customers in the wholesale market.

Infigen Energy trades on the Australian Securities Exchange under the code IFN.

For further information please visit our website: www.infigenenergy.com

INFIGEN ENERGY GROUP

APPENDIX 4E

Preliminary Final Report for the year ended 30 June 2012

Name of entity:	Infigen Energy (ASX: IFN), a stapled entity comprising Infigen Energy Limited (ABN 39 105 051 616), Infigen Energy (Bermuda) Limited (ARBN 116 360 715), and the Infigen Energy Trust (ARSN 116 244 118)
ABN:	As Above

Details of the reporting period

1.1 Current Period:	1 July 2011 - 30 June 2012
1.2 Previous Corresponding Period:	1 July 2010 - 30 June 2011

Results for announcement to the market

	% Movement	2012 A\$'000	2011 A\$'000
2.1 Revenues from ordinary activities	(0.6%)	283,473	285,319
2.2 Loss from ordinary activities after tax attributable to members	8.4%	(55,877)	(60,994)
2.3 Loss for the period attributable to members	8.4%	(55,877)	(60,994)

2.4 Distributions	Amount per security	Franked amount per security
Final distribution	Nil cents	N/A
Interim distribution	Nil cents	N/A

2.5 Record date for determining entitlement to the Interim and Final Distributions	Date
Final distribution	Not applicable
Interim distribution	Not applicable

2.6 Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to section 14 'Commentary on results' for explanation of the figures reported above and an overview of the results for the period.

3. Statement of Comprehensive Income with notes

Refer to the Consolidated Statements of Comprehensive Income in the attached financial statements.

4. Statement of Financial Position with notes

Refer to the Consolidated Statements of Financial Position in the attached financial statements.

5. Statement of Cash Flows Statements with notes

Refer to the Consolidated Cash Flow Statements in the attached financial statements.

6. Statement of Changes in Equity showing movements

Refer to the Consolidated Statements of Changes in Equity in the attached financial statements.

7. Details of distributions

	Record Date	Payment Date
FY12 Interim Distribution	N/A	N/A
FY12 Final Distribution	N/A	N/A

On 14 June 2011, Infigen advised that no distribution would be declared for the six months ended 30 June 2011. Infigen also announced, on that date, that it has suspended distributions for the year ended 30 June 2012 and year ending 30 June 2013.

8. Details of distribution reinvestment plan

On 14 June 2011, Infigen announced that it had suspended distributions for the years ending 30 June 2012 and 30 June 2013. The total distribution for the financial year ended 30 June 2011 was 1.0 cent per stapled security being the amount declared for the interim distribution and paid on 17 March 2011.

9. Net tangible asset backing per unit

	Current Period	Previous Period
Net tangible asset backing per stapled security ¹	0.27 cents	0.43 cents

¹ Net tangible assets fell by \$116.5 million between 30 June 2011 (\$324.3 million) and 30 June 2012 (\$207.8 million) mainly as a result of depreciation and foreign exchange rate movements.

10. Control gained or lost over entities during the period

10.1 Name of entity (or group of entities) over which control was gained or lost	Control Gained 1. Pumpjack Solar I LLC 2. Wildwood Solar I LLC 3. Tortolita Solar I LLC 4. Mexia Solar I LLC 5. Limestone Solar I LLC 6. Sandy Hills Solar I LLC 7. Mesquite Solar I LLC 8. Mustang Solar I LLC 9. Rio Bravo Solar I LLC 10. Wildwood Solar II LLC
10.2 Date control was gained or lost	Control Gained 1 to 10: February 2012
10.3 Consolidated profit / (loss) after tax from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired or up to the date in the current period on which control was lost	Control Gained 1 to 10: Nil
10.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	Control Gained 1 to 10. N/A

11. Details of associates and joint venture entities

11.1 Name of entity (or group of entities) over which significant influence was gained and the date significant influence was changed	None
11.2 Percentage holding in the associate	N/A
11.3 Consolidated profit / (loss) after tax from ordinary activities and extraordinary items after tax of the associate (or group of entities) since the date in the current period.	N/A
11.4 Profit (loss) from ordinary activities and extraordinary items after tax of the associate (or group of entities) for the whole of the previous corresponding period	N/A

12. Other significant information

Refer to the attached financial statements and commentary on results.

13. Accounting standards used by foreign entities

Refer to Note 1 “Statement of Accounting Policies” of the attached financial statements.

14. Commentary on results

Statutory loss per security

Statutory Loss per Security was 7.3 cents per stapled security (cps), a 0.7 cps favourable movement compared to the prior year.

Revenue

Revenue was \$283.5 million, down \$1.8 million (on an economic interest basis revenue was \$266.6 million, down \$0.9 million).

This was within the guidance range provided for both the US and Australia. The variance was due to a 7% increase in revenue in Australia from \$117.2 million to \$125.8 million, primarily from the 48.3 megawatt Woodlawn Wind Farm in New South Wales (NSW) that became operational during the period, improved wind conditions at the Lake Bonney wind farms in South Australia and higher electricity and Large-scale Generation Certificate (LGC) prices, partially offset by lower than prior year wind conditions in NSW and Western Australia.

The increase in Australian revenue was more than offset by a 6% decrease in revenue from the US caused largely by lower production due to below prior year wind conditions, lower merchant electricity prices and an appreciation of the Australian Dollar against the United States (US) Dollar.

Loss before significant items and tax

Loss before Significant Items and Tax was \$58.1 million, \$23.1 million higher than the prior year.

The primary drivers for this result were lower earnings before interest and tax (EBIT), a non-cash interest rate swap revaluation expense (\$12.3 million) and a lower net income from US Institutional Equity Partnerships (\$13.1 million).

Significant items and discontinued operations

There were no significant items this year. The prior year included losses amounting to \$35 million from the loss on the sale of wind farms in Germany (\$31.1 million) and a net loss from the discontinued German business up to the time of disposal (\$3.9 million).

Net loss

Infigen Energy reported a Net Loss for the year of \$55.9 million, a \$5.1 million favourable movement compared with the prior year.

Operationally the result reflects higher earnings before interest, tax, depreciation and amortisation (EBITDA) in Australia following the commissioning of the Woodlawn Wind Farm and higher electricity and LGC prices during the year, offset by lower EBITDA in the US due to below prior year wind conditions and higher post-warranty wind farm costs. Lower interest income, adverse interest rate movements, lower net income from US IEPs, and a lower tax benefit also affected the result.

15. Outlook

Infigen begins the 2013 financial year (FY13) with the ongoing focus on continuous improvement in operational performance and building on the FY12 solid operating cash flow performance.

In FY13, production in the US and Australia is expected to improve through a full year contribution from the Woodlawn Wind Farm in Australia, and a general improvement in wind conditions.

The US assets remain highly contracted and unlikely to experience any material deterioration in revenues as a result of continued low wholesale electricity prices. Infigen's Australian merchant assets will benefit from the introduction of a price on carbon that has increased wholesale electricity prices since the commencement of FY13. LGC prices are expected to remain stable.

Wind farm costs are forecast to be in the US\$74 million to US\$79 million range in the US and \$34 million to \$37 million range in Australia. The US and Australian businesses will benefit from reduced component risk and volatility in costs following the post-warranty agreements executed in FY12.

Energy Markets costs in Australia and Infigen Asset Management costs in the US are expected to be around the same as FY12, subject to a similar level of activity.

Subject to these operating conditions prevailing, the amount of surplus cash flow from operations available to amortise debt under the Global Facility during FY13 is expected to be approximately \$55 million.

Following feedback from market participants, Infigen will no longer provide annual production and revenue guidance but will instead publish unaudited production and revenue outcomes each quarter. This information, with prior corresponding period comparisons, is proposed to be lodged with the Australian Securities Exchange on or around the last trading day of the month following the end of each quarter.

For further discussion of results, including the reconciliation between the statutory and economic interest financial results, refer to the Management Discussion and Analysis document.

16. Audit / review of accounts upon which this report is based

This report is based on accounts which have been audited.

17. Qualification of audit / review

Not applicable.

The US assets remain highly contracted and unlikely to experience any material deterioration in revenues as a result of continued low wholesale electricity prices. Infigen's Australian merchant assets will benefit from the introduction of a price on carbon that has increased wholesale electricity prices since the commencement of FY13. LGC prices are expected to remain stable.

Wind farm costs are forecast to be in the US\$74 million to US\$79 million range in the US and \$34 million to \$37 million range in Australia. The US and Australian businesses will benefit from reduced component risk and volatility in costs following the post-warranty agreements executed in FY12.

Energy Markets costs in Australia and Infigen Asset Management costs in the US are expected to be around the same as FY12, subject to a similar level of activity.

Subject to these operating conditions prevailing, the amount of surplus cash flow from operations available to amortise debt under the Global Facility during FY13 is expected to be approximately \$55 million.

Following feedback from market participants, Infigen will no longer provide annual production and revenue guidance but will instead publish unaudited production and revenue outcomes each quarter. This information, with prior corresponding period comparisons, is proposed to be lodged with the Australian Securities Exchange on or around the last trading day of the month following the end of each quarter.

For further discussion of results, including the reconciliation between the statutory and economic interest financial results, refer to the Management Discussion and Analysis document.

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17. Qualification of audit / review

Not applicable.



INFIGEN ENERGY LIMITED

ABN 39 105 051 616

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

TOGETHER WITH THE DIRECTORS' REPORT

Infigen Energy Limited

Annual Financial Report for the year ended 30 June 2012

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Corporate Structure

The Infigen Energy group (**Infigen**) consists of the following entities:

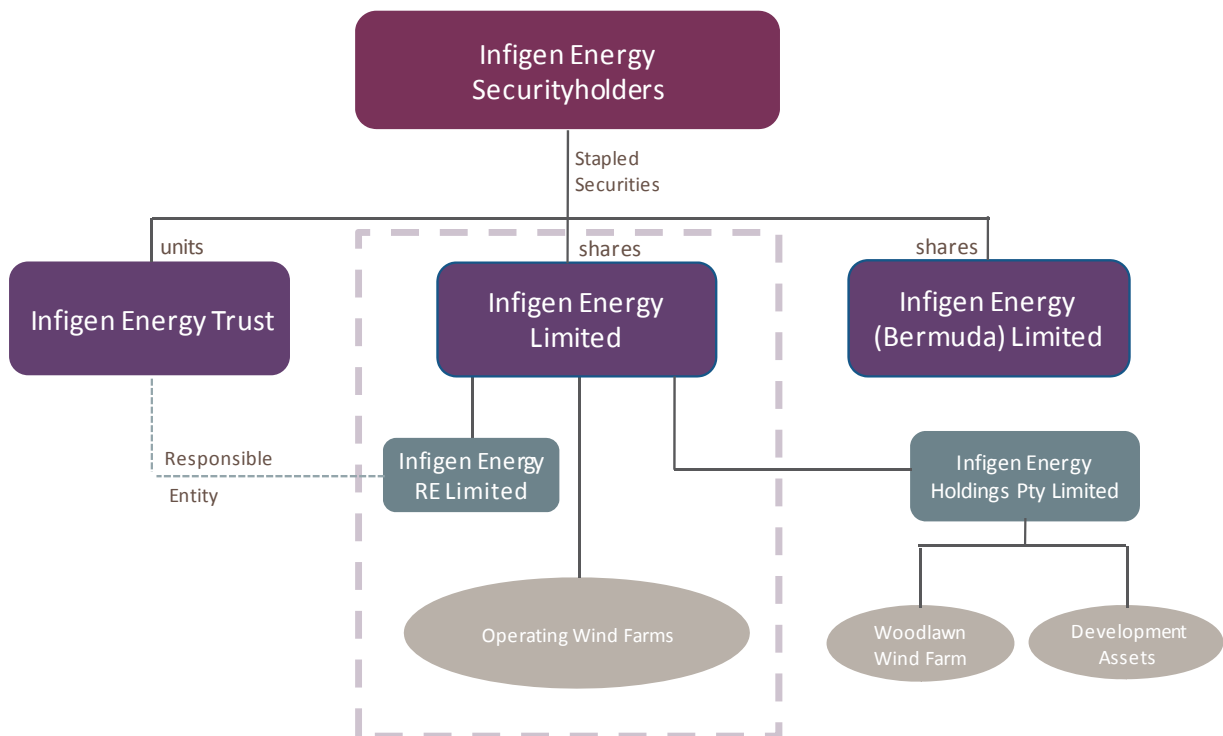
- Infigen Energy Limited (**IEL**), a public company incorporated in Australia;
- Infigen Energy Trust (**IET**), a managed investment scheme registered in Australia;
- Infigen Energy (Bermuda) Limited (**IEBL**), a company incorporated in Bermuda; and
- the subsidiary entities of IEL and IET.


One share in each of IEL and IEBL and one unit in IET have been stapled together to form a single stapled security, tradable on the Australian Securities Exchange under the 'IFN' code.

Infigen Energy RE Limited (**IERL**) is the Responsible Entity of IET.

The current stapled structure of the Infigen group was established immediately prior to listing on the Australian Securities Exchange in 2005 and currently cannot be materially simplified due to Infigen's corporate debt facility.

The following diagram represents the structure of the Infigen Energy group, including the entities and assets within the corporate debt facility.



 Entities and assets within the corporate debt facility

Directors' Report

In respect of the year ended 30 June 2012, the Directors submit the following report for the Infigen Energy group (Infigen).

Directors

The following people were Directors of Infigen Energy Limited (IEL), Infigen Energy (Bermuda) Limited (IEBL) and Infigen Energy RE Limited (IERL) in its capacity as responsible entity of the Infigen Energy Trust (IET), during the whole of the financial year and up to the date of this report:

- Michael Hutchinson
- Philip Green
- Fiona Harris
- Miles George

Ross Rolfe AO was appointed as a Director of IEL, IEBL and IERL on 9 September 2011 and continues as a Director as at the date of this report.

Douglas Clemson retired as a Director of IEL, IEBL and IERL on 11 November 2011.

Further Information on Directors

The particulars of the Directors of Infigen at or since the end of the financial year and up to the date of the Directors' Report are set out below.

Name	Particulars
<u>Michael Hutchinson</u> Non-Executive Chairman of IEL, IEBL and IERL <i>Appointed to IEL, IEBL and IERL on 18 June 2009</i> <i>Chairman of the Nomination & Remuneration Committee</i>	<p>Mike was appointed an independent non-executive director of Infigen Energy in June 2009 and subsequently elected Chairman in November 2010. He is Chairman of the Nomination & Remuneration Committee.</p> <p>Mike was formerly an international transport engineering consultant and has extensive experience in the transport and communications sectors, including as a senior official with the Australian Government.</p> <p>Mike is currently an independent non-executive director of the Australian Infrastructure Fund Ltd. Mike has previously been an independent non-executive director of EPIC Energy Holdings Ltd, Hastings Funds Management Ltd, Westpac Funds Management Ltd, Pacific Hydro Ltd, OTC Ltd, HiTech Group Australia Ltd, the Australian Postal Corporation and the Australian Graduate School of Management Ltd.</p>
<u>Philip Green</u> Non-Executive Director of IEL, IEBL and IERL <i>Appointed to IEL, IEBL and IERL on 18 November 2010</i> <i>Member of the Audit, Risk & Compliance Committee</i>	<p>Philip was appointed a non-executive director of Infigen Energy in November 2010. He is a member of the Audit, Risk & Compliance Committee.</p> <p>Philip is a Partner of The Children's Investment Fund Management (UK) LLP (TCI), a substantial securityholder of Infigen Energy. Philip joined TCI in 2007 and his responsibilities include TCI's global utility, renewable energy and infrastructure investments.</p> <p>Prior to joining TCI, Philip led European Utilities equity research at Goldman Sachs, Merrill Lynch and Lehman Brothers over a 12 year period. Philip is a UK Chartered Accountant (ACA) and has a Bachelor of Science (Hons) in Geotechnical Engineering.</p>

Name	Particulars
<p><u>Fiona Harris</u> Non-Executive Director of IEL, IEBL and IERL</p>	<p>Fiona was appointed an independent non-executive director of Infigen Energy in June 2011. Fiona is Chairman of the Audit, Risk & Compliance Committee and also a member of the Nomination & Remuneration Committee.</p>
<p><i>Appointed to IEL, IEBL and IERL on 21 June 2011</i></p>	<p>Fiona is Chairman of Barrington Consulting Group and was previously a National Director of the Australian Institute of Company Directors. For the past seventeen years she has been a professional non-executive director.</p>
<p><i>Chairman of the Audit, Risk & Compliance Committee</i> <i>Member of the Nomination & Remuneration Committee</i></p>	<p>Fiona is currently a Director of Altona Mining Limited, Aurora Oil & Gas Limited and Sundance Resources Limited. Within the last three years Fiona has been a Director of listed companies Territory Resources Limited and Vulcan Resources Limited.</p>
	<p>Fiona holds a Bachelor of Commerce degree and is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.</p>
<p><u>Ross Rolfe AO</u> Non-Executive Director of IEL, IEBL and IERL</p>	<p>Ross was appointed an independent non-executive director of Infigen Energy in September 2011. Ross is a member of the Audit, Risk & Compliance Committee and the Nomination & Remuneration Committee.</p>
<p><i>Appointed to IEL, IEBL and IERL on 9 September 2011</i></p>	<p>Ross is currently Chairman of WDS Limited and CS Energy Limited, as well as a Non-Executive Director of Thiess Pty Ltd. Ross is the Deputy Chair of the Finance Committee of Infrastructure Australia and he is also a member of the Commonwealth Government's Energy White Paper Reference Group.</p>
<p><i>Member of the Audit, Risk & Compliance Committee</i> <i>Member of the Nomination & Remuneration Committee</i></p>	<p>Ross has broad experience in the Australian energy and infrastructure sectors in senior management, government and strategic roles.</p>
	<p>Ross has previously been Managing Director of Alinta Energy Limited as well as a Director of Infrastructure Australia, Infrastructure Partnerships Australia, Queensland Manufacturing Institute, Construction Queensland, Queensland Low Emissions Technology Centre, Emu Downs Wind Farm, Queensland Resources Council and Southbank Corporation.</p>
	<p>Ross previously held the position of Co-ordinator General in Queensland and the positions of Director General in the Queensland Department of the Premier and Cabinet, Department of State Development and Department of Environment & Heritage. Ross was also previously the Chief Executive Officer of Stanwell Corporation.</p>
<p><u>Miles George</u> Executive Director of IEL, IEBL and IERL</p>	<p>Miles is the Managing Director of Infigen Energy, having previously been the Chief Executive Officer since 2007. Miles has over 20 years experience in the infrastructure and energy sectors, and in particular renewable energy development and investment.</p>
<p><i>Appointed to IEL, IEBL and IERL on 1 January 2009</i></p>	<p>Since 2000 Miles has been involved in development and investment in wind energy projects in Australia, including a key role in the development of Infigen's first wind farm at Lake Bonney in South Australia.</p>
	<p>Miles jointly led the team which established the business now known as Infigen Energy in 2003. Subsequently he jointly led the team which structured and implemented the Initial Public Offer and listing of Infigen's business on the ASX in 2005.</p>
	<p>Following listing, Miles continued to work on the development and financing of Infigen's wind farm investments in Australia, the US and Europe. He was subsequently appointed as Chief Executive in 2007 and Managing Director in 2009.</p>
	<p>Miles holds degrees of Bachelor of Engineering and Master of Business Administration (Distinction) from the University of Melbourne.</p>

Directors' Interests in IFN Stapled Securities

One share in each of IEL and IEBL and one unit in IET have been stapled together to form a single stapled security, tradable on the Australian Securities Exchange under the 'IFN' code. IERL is the Responsible Entity of IET. The table below lists the current and former Directors of IEL, IEBL and IERL during the financial year as well as showing the relevant interests of those Directors in IFN stapled securities during the financial year.

Current Directors	Role	IFN Stapled Securities Held ¹			
		Balance 1 July 2011	Acquired during the year	Sold during the year	Balance 30 June 2012
M Hutchinson	Independent Chairman	0	110,000	0	110,000
P Green ²	Non-Executive Director	0	0	0	0
F Harris	Independent Non-Executive Director	0	100,000	0	100,000
R Rolfe ³	Independent Non-Executive Director	n/a	0	0	0
M George	Executive Director	500,000	150,000	0	650,000
Former Directors	Role				
D Clemson ⁴	Independent Non-Executive Director	140,000	0	0	n/a

¹ If the person was not a Director for the whole period, movements in securities held relates to the period whilst the person was a Director.

² P Green is a Partner of The Children's Investment Fund Management (UK) LLP which has a substantial shareholding of IFN securities. Mr Green has advised Infigen that he does not have a relevant interest in those IFN securities.

³ R Rolfe appointed as a Director of IEL, IEBL and IERL on 9 September 2011.

⁴ D Clemson retired as a Director of IEL, IEBL and IERL on 11 November 2011.

Directors' Meetings

The number of Infigen Board meetings and meetings of standing Committees established by the Infigen Boards held during the year ended 30 June 2012, and the number of meetings attended by each Director, are set out below.

Current Directors	Board Meetings						Committee Meetings			
	IEL		IEBL		IERL		Audit, Risk & Compliance		IEL Nomination & Remuneration	
	A	B	A	B	A	B	A	B	A	B
M Hutchinson	15	15	12	12	12	12	4	5	6	6
P Green	15	15	12	12	12	12	7	7	n/a	n/a
F Harris	15	15	12	12	11	12	7	7	5	5
R Rolfe	13	13	10	10	9	10	3	4	2	3
M George	15	15	12	12	11	12	n/a	n/a	n/a	n/a
Former Directors										
D Clemson	5	5	4	4	4	4	3	3	3	3

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the committee during the year.

Additional meetings of committees of Directors were held during the year, but these are not included in the above table, for example where the Boards delegated authority to a committee of Directors to approve specific matters or documentation on behalf of the Boards.

Company Secretaries

The names and particulars of the Company Secretaries of Infigen at or since the end of the financial year are set out below.

Name	Particulars
<u>David Richardson</u> Company Secretary of IEL, IEBL and IERL <i>Appointed 26 October 2005</i>	<p>David is the Company Secretary of Infigen Energy and is responsible for the company secretarial, risk management, insurances, corporate compliance and internal audit functions.</p> <p>David joined Infigen Energy as Company Secretary in 2005. David was previously a Company Secretary within the AMP Group, including AMP Capital Investors, Financial Services and Insurance divisions, as well as prior financial services sector and regulator positions.</p> <p>David holds a Diploma of Law, Bachelor of Economics and a Graduate Diploma in Company Secretarial Practice. David is a Member of Chartered Secretaries Australia.</p>
<u>Catherine Gunning</u> Alternate Company Secretary of IEL, IEBL and IERL <i>Appointed 18 June 2009</i>	<p>Catherine is a Senior Corporate Counsel within Infigen Energy. Prior to joining Infigen in December 2005, Catherine was a Senior Associate in the Corporate & Commercial Department at Allens Arthur Robinson.</p> <p>Catherine also worked in London for private equity house NatWest Equity Partners (now Bridgepoint Capital Limited).</p> <p>Catherine has a Bachelor of Economics and a Bachelor of Laws, a Graduate Diploma in Applied Finance and Investment and is admitted as a legal practitioner of the Supreme Court of New South Wales.</p>

Principal Activities

Infigen Energy is a specialist renewable energy business that develops, constructs, owns and operates energy generation assets.

Infigen currently has interests in 24 operating wind farms and a pipeline of renewable energy developments in Australia and the United States. With a total installed capacity in excess of 1,600 MW (on an equity interest basis), the business currently generates over 4,200 GWh of renewable energy per year.

Infigen has six wind farms in Australia with a total installed capacity of 557 MW. Infigen's US business comprises 18 wind farms with a total installed capacity of 1,089 MW (on an equity interest basis) and includes an asset management business, Infigen Asset Management.

Distributions

On 14 June 2011, Infigen advised that no FY11 final distribution would be paid and distributions would be suspended for FY12 and FY13. This initiative aims to maximise the capital available to Infigen to repay debt and fund future opportunities.

Further details regarding distributions are set out in Note 24 to the Financial Statements.

Review of Operations

Revenue and result

During the year ended 30 June 2012, Infigen recorded revenues from continuing operations of \$283.5 million compared with \$285.3 million in FY11, representing a decrease of approximately 1%. The revenue outcome for the US business was in line with expectations, whilst the outcome for the Australian business was better than expected in the second half.

Infigen recorded a net loss for FY12 of \$55.9 million compared to a net loss for FY11 of \$61.0 million.

Review of Operations (cont.)

US Business

Infigen has an operating capacity of 1,089 MW (on an equity interest basis) in the US comprising 18 wind farms. Of those, 15 have Power Purchase Agreements (PPAs) in place that account for 913 MW of the operating capacity, with one (4 MW of capacity) generating revenue both through a PPA and on a merchant basis. The three remaining US wind farms (174 MW) operate purely on a merchant basis.

A key achievement throughout FY12 has been a focus on establishing a culture where safety is our first priority and a core value, which has resulted in a reduction in the total recordable incident frequency rate for employees and contractors.

In relation to operations and maintenance, during the year five sites utilising Gamesa turbines were transitioned in-house to Infigen Asset Management. For a further five sites extended warranty, service and maintenance agreements were executed with Mitsubishi for the period to 30 March 2017, covering 39% of Infigen's US wind farms.

Supply chain management continues to receive greater attention as Infigen positions itself to capture the benefits of direct sourcing of components in a more competitive supply environment, as well as new procurement systems to optimise inventory levels.

Infigen established renewable energy development activities in the US through securing a team of experienced development professionals and commencing the development of multiple solar and wind project opportunities. A Joint Development Agreement was executed with Pioneer Green Energy to further develop approximately 300 MW of solar energy projects located in California, Arizona and Texas.

Australian Business

Infigen has an operating capacity of 557 MW in Australia comprising six wind farms, namely the 89.1 MW Alinta wind farm in WA, the three Lake Bonney wind farms in SA with capacities of 80.5 MW, 159 MW and 39 MW respectively, and the 140.7 MW Capital and 48.3 MW Woodlawn wind farms in NSW. Infigen holds a 100% equity interest in each of its Australian wind farms. A highlight of FY12 was the commissioning of the Woodlawn wind farm on time and on budget.

Of Infigen's six operational wind farms in Australia, 55% of annual P50 production is currently contracted under medium and long term PPAs. One of these off-take agreements (a long term retail supply agreement) involves the majority of the capacity of the Capital wind farm being contracted to meet the energy demands of the Sydney Desalination Plant.

A focus on a culture of safety in Australia also resulted in a reduction in the total recordable incident frequency rate throughout the year.

The transition of the Australian business into a post-warranty operating environment continues. The Australian business now directly manages the reliability of plant through predictive and preventative maintenance strategies, optimal scheduling of maintenance activities, and efficient supply chain management. The business continues to invest in people and system capabilities to manage these functions through a 24x7 Operations Control Centre, energy markets risk management systems, and asset management and maintenance systems. In conjunction with this in-house expertise, Infigen executed service and availability agreements with Vestas in FY12 covering approximately two-thirds of Infigen's Australian wind farms until 31 December 2017.

During the year the development team continued to advance the most prospective projects in the Australian wind and solar development pipeline. Work progressed towards a construction ready status in anticipation of improved market and investment conditions, as well as to sustain the option value of the development pipeline. Local Government planning approval was received for the Capital 2 and Woakwine wind farms. Development Applications for the Bodangora, Forsayth, Flyers Creek and Cherry Tree wind farms were all placed on public exhibition. In addition, a Development Application for the 1 MW Capital East Solar Farm comprising a solar PV and energy storage facility was lodged.

A further review of the operations of Infigen and the results of those operations for the year ended 30 June 2012 is included in the attached Financial Statements and accompanying Notes.

Changes in State of Affairs

On 17 October 2011, Practical Completion occurred at Infigen's sixth wind farm in Australia, the 48 MW Woodlawn wind farm in New South Wales comprising 23 turbines.

On 14 February 2012, Infigen entered into a Joint Development Agreement with Pioneer Green Energy in the United States to further develop approximately 300 MW of solar energy projects located in California, Arizona and Texas.

Other changes in the state of affairs of the consolidated entity are referred to in the Financial Statements and accompanying Notes.

Subsequent Events

Since the end of the financial year, there have not been any transactions or events of a material or unusual nature likely to affect significantly the operations or affairs of Infigen in future financial periods.

Future Developments

Infigen begins the 2013 financial year (FY13) with the ongoing focus on continuous improvement in operational performance and building on the FY12 solid operating cash flow performance.

In FY13, production in the US and Australia is expected to improve through a full year contribution from the Woodlawn wind farm in Australia, and a general improvement in wind conditions.

The US assets remain highly contracted and unlikely to experience any material deterioration in revenues as a result of continued low wholesale electricity prices. Infigen's Australian merchant assets will benefit from the introduction of a price on carbon that has increased wholesale electricity prices since the commencement of FY13. Large-scale Generation Certificate prices are expected to remain stable.

Wind farm costs are forecast to be in the US\$74 million to US\$79 million range in the US and \$34 million to \$37 million range in Australia. The US and Australian businesses will benefit from reduced component risk and volatility in costs following the post-warranty agreements executed in FY12.

Energy Markets costs in Australia and Infigen Asset Management costs in the US are expected to be around the same as FY12, subject to a similar level of activity.

Subject to these operating conditions prevailing, the amount of surplus cash flow from operations available to amortise debt under the Global Facility during FY13 is expected to be approximately \$55 million.

Following feedback from market participants, Infigen will no longer provide annual production and revenue guidance but will instead publish unaudited production and revenue outcomes each quarter. This information, with prior corresponding period comparisons, is proposed to be lodged with the Australian Securities Exchange on or around the last trading day of the month following the end of each quarter.

Environmental Regulations

To the best of the Directors' knowledge, Infigen has complied with all significant environmental regulations applicable to its operations.

Indemnification and Insurance of Officers

Infigen has agreed to indemnify all Directors and Officers against losses incurred in their role as Director, Alternate Director, Secretary, Executive or other employee of Infigen or its subsidiaries, subject to certain exclusions, including to the extent that such indemnity is prohibited by the *Corporations Act 2001* or any other applicable law. Infigen will meet the full amount of any such liabilities, costs and expenses (including legal fees). Infigen has not been advised of any claims under any of the above indemnities.

During the financial year Infigen paid insurance premiums for a Directors' and Officers' liability insurance contract which provides cover for the current and former Directors, Alternate Directors, Secretaries and Executive Officers of Infigen and its subsidiaries. The Directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract.

Proceedings on Behalf of Infigen

No person has applied for leave of the Court to bring proceedings on behalf of Infigen, or to intervene in any proceedings to which Infigen is a party, for the purpose of taking responsibility on behalf of Infigen for all or part of those proceedings. Infigen was not a party to any such proceedings during the year.

Former Partners of the Audit Firm

No current Directors or Officers of Infigen have been Partners of PricewaterhouseCoopers at a time when that firm has been the auditor of Infigen.

Non-Audit Services

Based on written advice of the Audit, Risk & Compliance Committee, the Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 9 to the Financial Statements.

Auditor's Independence Declaration

Infigen's auditor has provided a written declaration under section 307C of the *Corporations Act 2001* that to the best of its knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- the applicable Australian code of professional conduct in relation to the audit.

The auditor's independence declaration is attached to this Directors' Report.

Rounding

IEL is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

Remuneration Report

Dear Securityholder,

We are pleased to present the 2012 Remuneration Report.

There have been no further changes to remuneration policy since those that were announced last year.

We have implemented the policy changes announced last year, whereby short term incentive (STI) payments would be partially deferred, with the deferred element settled in securities rather than cash. There was some rebalancing between short and long term incentive components of “at risk” remuneration. For the two most senior executives, 60% of STI payments will now be deferred for 12 months. For others deferral was settled at 50% of amounts in excess of a threshold.

We considered whether to make further changes to aspects of equity-settled at-risk remuneration, including further reviewing the criteria for long term incentives (LTIs), holding requirements, and provision for clawback in the event of adverse developments. These matters will be revisited once the Government’s announced intention of further legislative measures affecting clawback are able to be assessed.

As a consequence of the Company’s recent long-term performance, the testing of prior year equity-settled long term incentive payments has again led to all maturing grants lapsing without vesting. The necessary hurdles were not met.

Because your Company’s short-term financial performance is very dependent on annual variation in wind resource and wholesale market prices for electricity and large-scale generation certificates, it is not appropriate to link “at risk” remuneration simply to short term financial performance. As set out in the detailed report, we link short term incentive payments to identified initiatives or goals (KPIs) that focus on matters within management control or influence and that are designed to create long term value effects. Allowance is also made for material achievements that were not anticipated in the KPIs.

The nature of those KPIs is such that a high level of disclosure could adversely affect your Company’s interests, partly because of the need to manage the roles of commercial third parties in meeting various KPIs. Generally, the measures relate to the control of costs, the management of debt, including covenant margins, reducing revenue volatility and developing and sustaining a safe, committed and effective workforce.

STI payments awarded for performance in 2011-12 included, for example, recognition of the value to Infigen of the improved long term certainty in future wind farm operating costs provided for in the contracts with Vestas and Mitsubishi that were developed and announced during the year. The continuing successful management of the company’s debt compliance was recognised, as were a number of measures that improved expected revenue stability in FY12 and future years.

In recognition of the continued short term weakness in the Company’s performance, the aggregate STI payment pool was capped at 60% of the maximum amount payable, a further reduction from the level of 62% the previous year. This capping involved scaling back the amounts of STI payable based on individual assessments against key performance indicators. Further progress has been made in increasing the stringency of specifying KPIs and assessing performance against results.

Continued remuneration restraint has led to modest increases for FY12, including a 2.9% increase for the CEO. The Board appreciates the loyalty and forbearance of all staff in this respect.

Non-Executive Directors’ fees have been reviewed and no increases have resulted. Reflecting the market practice it was decided to roll the Chairman’s base and committee fees into a single fee effective 1 January 2012.

We hope you find this year’s Report to be useful. As always, we welcome feedback on ways to clarify and improve the information provided.

Yours faithfully

Michael Hutchinson
Chairman
Nomination & Remuneration Committee

Remuneration Report – Executive Summary

The Nomination & Remuneration Committee has:

- reviewed executive and senior management salaries and introduced concepts of 'Total Employment Cost' for determining executive remuneration;
- monitored performance and the alignment of KPIs to short term business objectives and priorities;
- reviewed director remuneration;
- determined KPIs for FY13;
- reviewed the leadership structure and succession plans;
- updated executive employment contracts; and
- amended the Equity Plan rules approved at the last AGM.

Significant matters to note for director, executive and senior management FY12 remuneration are:

- remuneration of most Executive KMP was increased during the year by a modest amount;
- no increase in fees was paid to Non Executive Directors;
- the Chairman's fees were rolled into a single fee;
- no LTIs vested; and
- 50-60% of the executive and senior management STI was deferred for a further 12 months.

Remuneration Framework

Infigen's remuneration framework aims to ensure remuneration:

- is commensurate with an individual's contribution, position and responsibilities;
- is fair and reasonable relative to market benchmarks;
- is linked with Infigen's strategic goals and business performance;
- rewards those employees who deliver consistently high performance;
- attracts and retains high performing individuals; and
- is aligned with the interests of securityholders.

A. Remuneration of Non-Executive Directors

Non-Executive Director fees are determined by the Infigen Boards within the aggregate amount approved by securityholders. The approved aggregate fee pool for IEL and IEBL is \$1,000,000.

The fee paid to Directors varies with individual board and committee responsibilities. Non-Executive Director fees are reviewed periodically. Fees were not adjusted during the year.

Non-Executive Directors receive a cash fee for service inclusive of statutory superannuation. Non-Executive Directors do not receive any performance-based remuneration or retirement benefits.

Board/Committee Fees

Aggregate annual fees payable to Non-Executive Directors during the year ended 30 June 2012 are set out below.

Board / Committee	Role	Fee (pa)
Infigen Boards	Chairman	\$225,000
	Non-Executive Director	\$125,000
Infigen Audit, Risk & Compliance Committees	Chairman	\$18,000
	Member	\$9,000
IEL Nomination & Remuneration Committee	Chairman ¹	\$12,000
	Member	\$6,000

¹ The present Chairman is also the Chairman of the Board and does not receive this fee.

Remuneration of Non-Executive Directors for the years ended 30 June 2011 and 30 June 2012

The nature and amount of each element of fee payments to each Non-Executive Director of Infigen for the years ended 30 June 2011 and 30 June 2012 are set out in the table below.

Non-Executive Directors	Year	Short-term benefits Fees (\$)	Post-employment benefits Superannuation (\$)	Total (\$)
M Hutchinson	FY12	209,225	15,775	225,000
	FY11	179,969	13,865	193,834
P Green ¹	FY12	-	-	-
	FY11	-	-	-
F Harris	FY12	137,045	12,313	149,358
	FY11	3,783	340	4,123
R Rolfe ²	FY12	102,310	9,305	111,615
	FY11	-	-	-
<u>Retired</u>				
D Clemson ³	FY12	49,743	4,477	54,220
	FY11	136,697	12,303	149,000
Total Remuneration	FY12	498,323	41,870	540,193
	FY11	320,449	26,508	346,957

¹ P Green was appointed as a Non-Executive Director of Infigen Energy Limited (IEL), Infigen Energy (Bermuda) Limited (IEBL) and Infigen Energy RE Limited (IERL) on 18 November 2010. Mr Green is a partner of The Children's Investment Fund Management LLP which is a substantial shareholder of the Infigen group. Throughout FY12 Mr Green elected to receive no Director fees.

² R Rolfe was appointed as a Non-Executive Director of IEL, IEBL and IERL on 9 September 2011.

³ D Clemson retired as a Non-Executive Director of IEL, IEBL and IERL on 11 November 2011.

B. Remuneration of Senior Management

The remuneration framework for the management team (including Executive KMP) comprises three components:

- fixed pay;
- a short term incentive, which is payment linked to achieving specified performance measured over a 12 month period; and
- a long term incentive, which is payment linked to meeting specified performance hurdles over a 3 or 4 year period.

Total Employment Cost (TEC) is benchmarked against industry peers within utilities, generation and infrastructure. Factors taken into consideration to determine relativity included total asset value. Market levels of remuneration are monitored on an annual basis, but there is no requirement or expectation that any adjustments will be made.

During FY12 the Board redefined the three components of remuneration (fixed pay, STI and LTI) such that STI and LTI are no longer tied to the level of fixed pay. This will provide for increased flexibility in aligning future remuneration amendments with Group performance and challenges.

The Board increased the FY12 STI opportunity as a once off to support the introduction of the STI deferral. As the deferred STI will be paid in securities, the Board is confident that the remuneration policy continues to provide an alignment with the security holder experience.

Fixed Pay

Fixed pay is cash salary and benefits, including superannuation. Infigen does not presently offer remuneration packaging other than superannuation salary sacrifice.

The temporary deferred pay was introduced in FY11 to either attract or retain specific personnel during a period of instability. It applied to some Executive KMP and senior managers. It did not apply to the Chief Executive Officer (CEO) or Chief Operating Officer (COO). The deferred cash payment vested in February 2012, with a further payment to two senior managers vesting in February 2013.

The adjustments to fixed pay in FY12 were to recognise changed responsibilities and accountabilities for some senior managers and otherwise reflected a modest market rate adjustment.

Short Term Incentives (STIs)

The STI is an at-risk performance related component of remuneration. STIs are subject to the achievement of key performance indicators (KPIs). KPIs are set annually and reviewed during the year. KPIs are aligned with overall strategy, budget, and individual objectives and accountabilities.

KPIs for the CEO are determined by the Board.

The Board determines the aggregate amount of STI payments, the amount of the CEO's STI payment, and reviews proposed payments for Executive KMP.

For all Executive KMP financial goal outcomes determine 60% of the maximum KPI assessment and typically relate to keeping within tight cost budgets. Strategic and operational outcomes determine 40% of the KPI assessment.

An employee must meet a minimum performance standard before any STI is payable.

Much of the short term business performance of the Group depends heavily upon variable external conditions. These include wind conditions, wholesale market prices for electricity and large-scale generation certificates, foreign exchange rates and interest rate movements. Therefore some KPIs are linked to short-term organisational process and systems improvements in order to reward success in creating the pre-conditions for long term value creation.

The KPI's for FY12 included, measures related to the control of costs, the management of debt, including covenant margins, reducing revenue volatility, enhancing the value of the development pipeline and developing and sustaining a committed and effective workforce. These KPIs sit alongside others that measure safety, budget achievement, project delivery, risk management and other strategic commercial activities to support long- term value creation.

Each KPI is individually weighted as a percentage of the total STI opportunity and contains an assessment criteria or hurdle. Any KPI hurdles associated with an item contained within the budget requires an achievement that is a stretch beyond budget.

From FY12 and beyond a portion of the STI payments will be deferred for 12 months. The deferral will apply where individual amounts exceed a threshold (initially \$50,000) and will be 50% of the STI amount, with the exception of the CEO and COO whose FY12 STI deferred amount will be 60% of the STI. The deferred STI will be paid in IFN securities. Payment of the deferred STI will be subject to continued employment and performance. The deferred payment will be forfeited if there is a materially adverse financial restatement.

Long Term Incentives (LTIs)

Executive KMP and senior managers in positions that directly affect the long term value of Infigen securities are eligible for LTIs. LTIs are awarded as future rights to acquire IFN securities. The rights vest after 3 or 4 years, subject to performance hurdles.

The Managing Director's grant is subject to securityholder approval on award.

The number of rights granted is based on the LTI value, divided by a reference price for IFN securities. This is the volume weighted average ASX market closing price in the last five trading days of the prior financial year.

As in prior years, LTI grants comprise two equal tranches, each subject to a different performance test. Vesting of each tranche is contingent on achieving the relevant performance hurdle.

The two performance hurdles are Relative Total Shareholder Return (TSR) and a financial performance test. The financial performance test is a test of growth in the ratio of earnings before interest, taxes, depreciation and amortisation (EBITDA) to capital base.

	Performance Rights
Tranche 1	Relative TSR
Tranche 2	EBITDA/Capital

Both hurdles are measured over a 3 year period. The performance period of the FY12 grant is 1 July 2011 to 30 June 2014. Any rights that do not vest after 3 years may vest after 4 years, subject to a further re-test, after which unvested rights will lapse.

TSR performance condition: TSR measures the growth in the price of securities plus cash distributions notionally reinvested in securities. In order for any portion of the Tranche 1 performance rights to vest, the TSR of IFN must outperform that of the median company in the S&P/ASX 200 (excluding financial services and the materials/resources sector).

Tranche 1 performance rights will vest progressively as follows:

Infigen Energy's TSR performance compared to the relevant peer group	FY09-11 Grants Percentage of Tranche 1 Performance Rights that vest	FY12 Grant Percentage of Tranche 1 Performance Rights that vest
0 to 49th percentile	Nil	Nil
50th percentile	50% -98% of the Tranche 1 Performance Rights will vest	25% of the Tranche 1 Performance Rights will vest
51st to 75th percentile	(i.e. for every percentile increase between 50% and 74% an additional 2% of the Tranche 1 Performance Rights will vest)	27% - 75% (i.e. for every percentile increase between 51% and 75% an additional 2% of the Tranche 1 Performance Rights will vest)
76th to 95th percentile	100%	76.25% - 100% (i.e. for every percentile increase between 76% and 95% an additional 1.25% of the Tranche 1 Performance Rights will vest)

EBITDA/Capital Base performance condition: the annual target will be a specified percentage increase in the ratio over the year. The Capital Base will be measured as equity (net assets) plus net debt. Both the EBITDA and Capital Base will be measured on a proportionately consolidated basis to reflect IFN's economic interest in all investments.

The annual target for FY12 has been set to reflect the performance expectations of Infigen's business and prevailing market conditions. The annual target for each subsequent financial year will be established by the Board no later than the time of the release of Infigen's annual financial results for the preceding financial year.

The prospective targets remain confidential to Infigen. However each year's target, and the performance against that target, will be disclosed retrospectively.

The EBITDA/Capital Base performance condition rewards the management in sustaining and delivering capital efficiency performance over an extended period.

Relevant metrics for the last three financial year periods are provided in the table below.

		30 June 2010	30 June 2011	30 June 2012
Closing security price	(cents)	0.715	0.35	0.225
Revenue	(AUD'000)	263,848	267,579	266,577
EBITDA	(AUD'000)	149,125	145,569	140,513
Capital Base	(AUD'000)	1,917,251	1,589,945	1,468,845
EBITDA to capital base	(%)	7.78	9.16	9.57
Target	(%)	19.22	11.29	9.26

As previously advised by the Directors of Infigen Energy, distributions have been suspended for the financial year ended 30 June 2012 and the financial year ending 2013.

The Board decided that from FY12 it will amend the Tranche 2 vesting hurdle to provide for progressive vesting of rights over a performance range.

Infigen Energy's EBITDA performance	FY09-11 Grants Percentage of Tranche 2 Performance Rights that vest	FY12 Grant Percentage of Tranche 2 Performance Rights that vest
0% < 90%	Nil	Nil
90% ≤ 110% of the cumulative target	Cliff vesting at 100% (i.e. 100% will vest if the target achieved).	5% to 100% (i.e. for every 1% increase between 90 and 110% of target an additional 5% of the Tranche 2 Performance Rights will vest).

Equity Plan rules: Performance rights and options are governed by the rules of the Equity Plan that were approved by securityholders in 2009. They provide that the Board may exercise discretion to accelerate the vesting of any performance rights or options awarded in the FY12 grant in the event of a change in control of Infigen. In exercising its discretion the Board will have regard to performance and the nature of the relevant transaction.

Plan participants are prohibited from hedging their exposure to Infigen's security price associated with the plan.

If sufficient total rights were to be granted for their potential vesting to become material relative to the 15% annual limit on the Board's authority to place securities without securityholder approval, the Board would seek specific securityholder approval.

Separation benefits

The Board has decided to limit any future separation benefits to a maximum of 12 months fixed remuneration.

Infigen Energy – Executive remuneration details

In accordance with the Corporations Act 2001, the following persons were the Executive KMP of the Infigen Energy group during the financial year:

M George	Chief Executive Officer
G Dutaillis	Chief Operating Officer
C Baveystock	Chief Financial Officer
B Hopwood	General Manager Corporate Finance
S Taylor	Group General Manager Australia
S Wright	General Counsel
C Carson	CEO USA

TABLE 1: Cash based remuneration received by Executive KMP

The following table summarises the cash based and at-risk remuneration Executive KMP received in FY12. The only cash remuneration received in FY12 was in the form of salary, superannuation, non-deferred STI and retention payments.

Executive	Year	Cash Based Remuneration					At-Risk Remuneration		
		Salary	STI paid for the period	Ret-ent ion	Super-annuation	Equity vested during the year	Total Actual Remun-eration received	Equity Granted in the Year ²	Equity Deferred STI ³
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)		
M George	FY12	569,300	158,175	-	15,755	-	743,230	158,634	237,262
	FY11	550,000	180,000	-	15,199	-	745,199	458,045	-
G Dutailis	FY12	370,000	89,096	-	15,755	-	474,851	80,129	133,644
	FY11	370,000	100,000	-	15,199	-	485,199	225,968	-
C Baveystock	FY12	315,000	63,750	78,750	15,755	-	473,255	53,600	63,750
	FY11 ⁴	186,154	35,000	-	13,733	-	234,887	-	-
B Hopwood	FY12	315,000	58,615	150,000	15,755	-	539,370	53,600	58,615
	FY11	288,800	67,000	-	15,199	-	370,999	66,815	-
S Taylor	FY12	331,000	64,178	50,000	15,755	-	460,933	53,600	64,178
	FY11	-	-	-	-	-	-	-	-
S Wright	FY12	282,733	59,899	128,750	15,755	-	487,137	-	59,899
	FY11	-	-	-	-	-	-	-	-
C Carson ¹	FY12	268,558	79,464	-	4,043	-	352,065	-	79,464
	FY11	-	-	-	-	-	-	-	-

¹ The remuneration reflects a conversion into \$AUD using an average rate of \$0.98.

² This represents the total value of the equity granted prior to amortisation.

³ Subject to approval by Infigen Energy security holders being obtained (where required), the deferred STI Payment will be awarded in the form of a grant of performance rights under the Infigen Energy Equity Plan ("Equity Plan"). The number of performance rights granted will be determined by dividing the deferred amount by the value of a performance right using the VWAP of Infigen Energy stapled securities in the five trading days up to 30 June 2012. Invitation letters will be issued in September 2012 for these grants.

⁴ C Baveystock commenced employment in December 2010 and became a KMP on 14 March 2011.

TABLE 2: Statutory Remuneration Data of Executives for the years ended 30 June 2011 and 30 June 2012

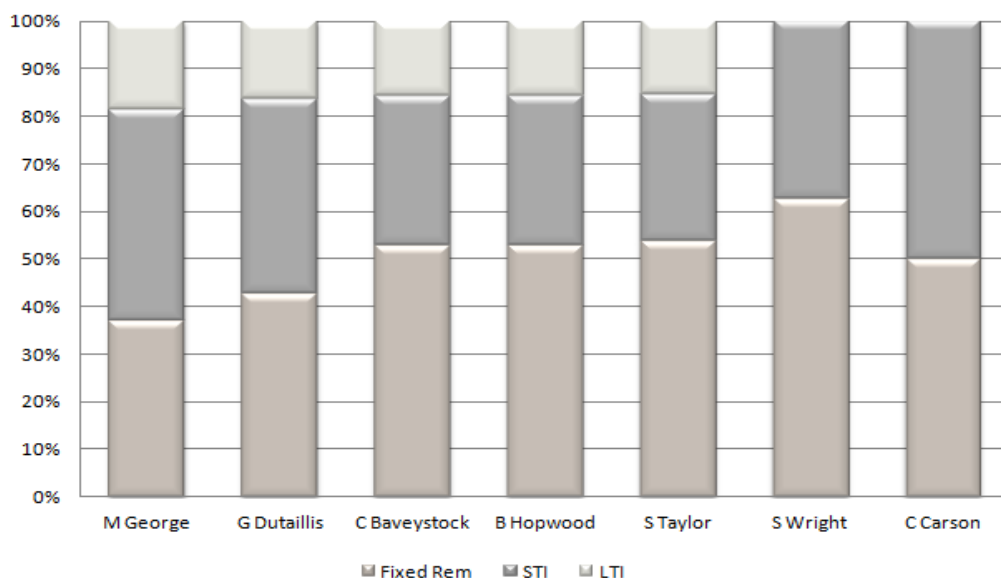
The Statutory Remuneration Data table below shows accounting expensed amounts that reflect a portion of possible future remuneration arising from prior and current year LTI grants. Tranche 2 of the FY09 LTI grant expired in FY12 and therefore the statutory table includes a significant reversal of accruals.

Executive	Year	Short-term employee benefits					Post employment benefits	Other long-term employee benefits	Share-based payments					
		Salary	STI paid in current period	Retention Payment ¹	Non monetary benefits	Total of short-term employee benefits			Super-annuation	LSL accrual	Equity settled	Deferred STI ¹	Cash Settled	Total
		\$	\$	\$	\$	\$			\$	\$	\$	\$	\$	\$
M George	FY12	569,300	158,175	-	-	727,475	15,755	11,006	(588,618)	237,262	-	402,880		
	FY11	550,000	180,000	-	-	730,000	15,199	10,633	771,103	-	-	1,526,935		
G Dutailis	FY12	370,000	89,096	-	-	459,096	15,755	12,018	(311,024)	133,644	-	309,489		
	FY11	370,000	100,000	-	-	470,000	15,199	12,876	397,652	-	-	895,727		
C Baveystock	FY12	315,000	63,750	78,750	-	457,500	15,755	974	11,116	63,750	-	549,095		
	FY11	186,154	35,000	-	-	221,154	13,733	464	-	-	-	235,351		
B Hopwood	FY12	315,000	58,615	150,000	-	523,615	15,755	10,962	(87,532)	58,615	-	521,415		
	FY11	288,800	67,000	-	-	355,800	15,199	7,772	119,030	-	-	497,801		
S Taylor	FY12	331,000	64,178	50,000	-	445,178	15,755	2,112	92,523	64,178	-	619,746		
	FY11	-	-	-	-	-	-	-	-	-	-	-		
S Wright	FY12	282,733	59,899	128,750	-	471,382	15,755	2,281	-	59,899	-	549,317		
	FY11	-	-	-	-	-	-	-	-	-	-	-		
C Carson	FY12	268,558	77,875	-	-	346,433	4,043	-	-	79,464	16,187	446,127		
	FY11	-	-	-	-	-	-	-	-	-	-	-		
Total Remuneration	FY12	2,451,592	571,588	407,500	-	3,430,679	98,573	39,353	(883,535)	696,812	16,187	3,398,070		
	FY11	1,394,954	382,000	-	-	1,776,954	59,330	31,745	1,287,785	-	-	3,155,814		

¹ Subject to approval by Infigen Energy security holders being obtained (where required), the deferred STI Payment will be awarded in the form of a grant of performance rights under the Infigen Energy Equity Plan ("Equity Plan"). The number of performance rights granted will be determined by dividing the deferred amount by the value of a performance right using the VWAP of Infigen Energy stapled securities in the five trading days up to 30 June 2012. Invitation letters will be issued in September 2012 for these grants.

TABLE 3: Remuneration Components as a Proportion of Total Remuneration

The proportions of fixed remuneration to performance-based remuneration opportunities for FY12 are set out below.



¹ Mr S Wright was recently appointed as an Executive KMP and therefore has not yet participated in the LTI plan.

² The remuneration of Mr Carson has been structured to reflect the relativities of the USA market and as such Mr Carson does not participate in the LTI plan.

TABLE 4: Value of Remuneration that vests in future years

Remuneration amounts provided in the table below refer to the maximum value of performance rights and options relating to IFN securities. These amounts have been determined at grant date by using an appropriate pricing model and amortised in accordance with AASB 2 'Share Based Payment'. The minimum value of remuneration that may vest is nil.

This year we have provided additional information to illustrate the difference in value of these LTI grants when comparing the accounting value and the current market value. The accounting value relies upon the value of the security at the time the grant was made. The accounting standards are used for the purpose of providing for the LTI liability within the financial statements.

The current market value demonstrates the deterioration in the grant value aligned to the decreased security price and is further illustration of how Executive remuneration is aligned to the securityholder experience. It should also be observed that no securities will vest if the performance hurdles are not met. In the event that the performance hurdle is not achieved the right to these securities will lapse.

Executive	Grant	Maximum value of remuneration which is subject to vesting in accordance with AASB 2 'Share Based Payments'					Current market value of remuneration which is subject to vesting (VWAP 5 trading days prior to 30 June 2012)				
		FY10 (\$)	FY11 (\$)	FY12 (\$)	FY13 (\$)	FY14 (\$)	FY10 (\$)	FY11 (\$)	FY12 (\$)	FY13 (\$)	FY14 (\$)
M George	FY09	646,555	646,555	138,670	-	-	-	-	-	-	-
	Write-back	-	-	(927,163)	-	-	-	-	-	-	-
	FY11	-	124,548	166,977	166,520	-	-	49,380	66,202	66,021	-
	FY12	-	-	32,898	62,868	62,868	-	-	42,806	81,802	81,802
	Total	646,555	771,103	(588,618)	229,388	62,868	-	49,380	109,008	147,823	81,802
G Dutailis	FY09	336,209	336,209	72,109	-	-	-	-	-	-	-
	Write-back	-	-	(482,125)	-	-	-	-	-	-	-
	FY11	-	61,444	82,375	82,150	-	-	24,361	32,660	32,570	-
	FY12	-	-	16,617	31,756	31,756	-	-	21,622	41,320	41,320
	Total	336,209	397,652	(311,024)	113,906	31,756	-	24,361	54,282	73,890	41,320
B Hopwood	FY09	100,863	100,863	21,633	-	-	-	-	-	-	-
	Write-back	-	-	(144,637)	-	-	-	-	-	-	-
	FY11	-	18,168	24,357	24,290	-	-	7,203	9,657	9,631	-
	FY12	-	-	11,116	21,242	21,242	-	-	14,463	27,639	27,639
	Total	100,863	119,030	(87,532)	45,532	21,242	-	7,203	24,120	37,270	27,639
C Baveystock	FY12	-	-	11,116	21,242	21,242	-	-	14,463	27,639	27,639
	Total	-	-	11,116	21,242	21,242	-	-	14,463	27,639	27,639
S Taylor	FY10	-	21,125	28,322	-	-	-	8,376	11,229	-	-
	FY11	-	39,597	53,086	52,941	-	-	15,699	21,047	20,990	-
	FY12	-	-	11,116	21,242	21,242	-	-	14,463	27,639	27,639
	Total	-	60,722	92,523	74,183	21,242	-	24,075	46,740	48,629	27,639
C Carson	FY11	-	44	16,187	16,143	-	-	39	14,272	14,233	-
	Total	-	44	16,187	16,143	-	-	39	14,272	14,233	-
Total		1,083,627	1,348,552	(867,348)	500,394	158,350	-	105,058	262,885	349,485	206,040

Legacy Performance Rights

Performance rights granted in prior years (FY09, FY10 and FY11) were granted in the same 2-tranche structure with the same performance hurdles.

No performance rights in relation to IFN securities vested or became exercisable in FY12. All performance rights held as at 30 June 2012 are unvested and are not exercisable.

Any performance rights which do not vest following the measurement of performance against the relevant conditions will be subject to a single retest 4 years after the commencement of the relevant performance period. This will be 31 December 2012 for Tranche 1 for the FY09 grant; 30 June 2013 for the FY10 grant (both tranches), 30 June 2014 for the FY11 grant (both tranches) and 30 June 2015 for the FY12 grant (both tranches). Any performance rights which do not vest after each single retest period will then expire.

Tranche 2 of the FY09 grant expired following the retest conducted on the 30 June 2012. The write-back in table 4 relates to the expiry of this FY09 Tranche 2 grant.

TABLE 5: Outstanding Performance Rights

The table below provides details of outstanding performance rights relating to IFN securities that have been granted to Executive KMP (FY09, FY10 FY11 and FY12 Grants). The performance rights are valued as at the grant date even though the grant was based on the VWAP of the five trading days up to 30 June in the year prior to the grant.

Executive	Granted number	Grant date	Value per performance right	Total value of performance rights granted	Estimated vesting date	
					Tranche 1	Tranche 2
M George	556,463	27/03/2009	0.6255	348,067	31/12/2011 [#]	Expired
	807,128	30/09/2010	0.5675	458,045	30/06/2013	30/06/2013
	917,374	18/1/2012	0.173	158,706	30/6/2014	30/6/2014
G Dutailis	289,361	27/03/2009	0.6255	180,995	31/12/2011 [#]	Expired
	398,182	30/09/2010	0.5675	225,968	30/06/2013	30/06/2013
	463,384	18/1/2012	0.173	80,165	30/6/2014	30/6/2014
B Hopwood	86,808	27/03/2009	0.6255	54,298	31/12/2011 [#]	Expired
	117,736	30/09/2010	0.5675	66,815	30/06/2013	30/06/2013
	309,966	18/1/2012	0.173	53,624	30/6/2014	30/6/2014
C Baveystock	309,966	18/1/2012	0.173	53,624	30/6/2014	30/6/2014
S Taylor	87,132	30/9/2010	0.5675	49,447	30/6/2013 [#]	30/6/2013 [#]
	256,604	30/9/2010	0.5675	145,623	30/6/2013	30/6/2013
	309,966	18/1/2012	0.173	53,624	30/6/2014	30/6/2014

[#] Performance period has entered the final retest year.

Legacy Options

Options over IFN securities awarded to participants in the Performance Rights & Options Plan for the FY09 Grant. These were granted under the same 2-tranche/performance hurdle structure applying to the FY10 and FY11 LTI grants.

No options relating to IFN securities vested or were exercised during the year. All options held at 30 June 2012 are unvested and are not exercisable.

Tranche 2 of the FY09 grant has now expired following the retest conducted on the 30 June 2012. The write-back referred to in table 4 relates to the expiry of this FY09 Tranche 2 grant.

TABLE 6: Outstanding Options

The table below provides details of outstanding options relating to IFN securities which were granted to executives in prior years, (Current policy precludes the granting of further options). The options are valued as at the deemed grant date.

Executive	Granted number	Grant date	Value per option (\$)	Total value of options granted (\$)	Exercise price per option (\$)	Estimated vesting date		Expiry date of vested options
						Tranche 1 ¹	Tranche 2	
M George	2,526,954	27/03/2009	0.209	528,133	0.897	31/12/2012	Expired	31/12/2013
G Dutailis	1,314,016	27/03/2009	0.209	274,629	0.897	31/12/2012	Expired	31/12/2013
B Hopwood	394,205	27/03/2009	0.209	82,389	0.897	31/12/2012	Expired	31/12/2013

¹ These Options are now in the 12 month retest period

Executive Employment Contracts

The base salaries for Executives as at 30 June 2012, in accordance with their employment contract, are as follows:

M George	\$569,300
G Dutailis	\$370,000
B Hopwood	\$315,000
C Baveystock	\$315,000
S Taylor	\$331,000
S Wright	\$315,000
C Carson	\$275,000 USD

Employment contracts relating to the Executives contain the following conditions:

Duration of contract	<ul style="list-style-type: none"> Open-ended
Notice period to terminate the contract	<ul style="list-style-type: none"> For M George, G Dutailis and S Taylor, their employment is able to be terminated by either party on 6 months' written notice. For B Hopwood, C Baveystock, C Carson and S Wright their employment is able to be terminated by either party on 3 months' written notice. Infigen may elect to pay an amount in lieu of completing the notice period, calculated on the base salary as at the termination date.
Termination payments provided under the contract	<ul style="list-style-type: none"> Upon termination, any accrued but untaken leave entitlements, in accordance with applicable legislation, are payable. If made redundant, a severance payment equivalent to 4 weeks base salary for each year of service (or part thereof), up to a maximum of 36 weeks.

Remuneration Advisor

The Nomination and Remuneration Committee engaged the services of Guerdon Associates throughout FY12 to:

- (a) provide market data in relation to Executive KMP remuneration against industry peers within utilities, infrastructure and generation including both ASX listed and non listed entities in Australia and the USA;
- (b) review remuneration reporting;
- (c) advise on miscellaneous matters not associated with the levels or elements of Executive KMP remuneration;
- (d) review the remuneration strategy and composition of Executive KMP remuneration;
- (e) review both short and long term incentive schemes and options for STI deferral; and
- (f) assist the Committee in identifying solutions to address retirement benefits of Executive KMP.

The consultant provided no other services to the Company during this period.

Items (d), (e), and (f) above fall within the definition of a remuneration recommendation of the Corporations Act 2001, Chapter 1, Part 1.2, Division1, s.9B(1)(a) and (b).

Fees paid to Guerdon Associates in FY12 for items (d), (e), and (f) above were \$22,497 (excluding GST).

Fees paid to Guerdon Associates for items (a), (b), and (c) above were \$89,603.

To ensure the Nomination & Remuneration Committee is provided with advice and, as required, remuneration recommendations, free from undue influence by members of the Executive KMP to whom the recommendations may relate, the engagement of Guerdon Associates is based on an agreed set of protocols to be followed by Guerdon Associates, members of the Committee and members of Executive KMP.

The Board was satisfied that remuneration recommendations received were free from the undue influence of the Executive Key Management Personnel to whom the advice related because:

- Guerdon Associates was appointed by independent directors;
- Guerdon Associates did not provide services to management;
- Reports with recommendations were only received by Non Executive Directors; and
- The agreed protocols were followed.

This report is made in accordance with a resolution of the Directors pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors of IEL:



F Harris
Director



M George
Director

Sydney, 30 August 2012



Auditor's Independence Declaration

As lead auditor for the audit of Infigen Energy Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Infigen Energy Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Darren Ross'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Darren Ross'.

Darren Ross
Partner

30 August 2012



Independent auditor's report to the members of Infigen Energy Limited

Report on the financial report

We have audited the accompanying financial report of Infigen Energy Limited (the company), which comprises the statement of financial position as at 30 June 2012, and, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Infigen Energy group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

- (a) the financial report of Infigen Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 21 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Infigen Energy Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A large, stylized cursive signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Darren Ross', with a horizontal line underneath.

Darren Ross
Partner

30 August 2012

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30 JUNE 2012**

	Note	2012 \$'000	2011 \$'000
Revenue from continuing operations	3	283,473	285,319
Income from institutional equity partnerships	4	63,554	61,638
Other income	4	11,468	21,183
Operating expenses		(114,954)	(104,528)
Corporate costs		(11,521)	(18,650)
Other expenses	5	(3,874)	(3,119)
Depreciation and amortisation expense	5	(140,125)	(136,302)
Interest expense		(74,785)	(87,873)
Finance costs relating to institutional equity partnerships	5	(59,180)	(45,224)
Other finance costs	5	(11,772)	(6,918)
Share of net losses of associates accounted for using the equity method	13	(432)	(552)
Net loss before income tax expense		(58,148)	(35,026)
Income tax benefit	7	2,271	9,017
Loss from continuing operations		(55,877)	(26,009)
Loss from discontinued operations	6	-	(34,985)
Net loss for the year		(55,877)	(60,994)
Other comprehensive income – movements through equity			
Changes in the fair value of cash flow hedges, net of tax	21(b)	(68,519)	46,643
Exchange differences on translation of foreign operations	21(a)	10,522	(45,517)
Total comprehensive loss for the year, net of tax		(113,874)	(59,868)
Net loss for the year is attributable to stapled security holders as:			
Equity holders of the parent		(55,195)	(60,090)
Equity holders of the other stapled entities (non-controlling interests)		(682)	(904)
		(55,877)	(60,994)
Total comprehensive loss for the year is attributable to stapled security holders as:			
Equity holders of the parent		(113,192)	(58,964)
Equity holders of the other stapled entities (non-controlling interests)		(682)	(904)
		(113,874)	(59,868)
Earnings per share of the parent based on earnings from continuing operations attributable to the equity holders of the parent:			
Basic (cents per security)	23	(7.2)	(3.3)
Diluted (cents per security)	23	(7.2)	(3.3)
Earnings per share of the parent based on earnings attributable to the equity holders of the parent:			
Basic (cents per security)	23	(7.2)	(7.9)
Diluted (cents per security)	23	(7.2)	(7.9)

The above statements of comprehensive income should be read in conjunction with the accompanying Notes to the Financial Statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 \$'000	2011 \$'000
Current assets			
Cash and cash equivalents	34(a)	126,703	304,875
Trade and other receivables	10	39,944	45,586
Inventory	11	15,736	13,069
Derivative financial instruments	12	3,242	-
Total current assets		185,625	363,530
Non-current assets			
Receivables	10	8,590	10,587
Derivative financial instruments	12	579	1,595
Investment in associates	13	728	765
Property, plant and equipment	14	2,430,105	2,460,112
Deferred tax assets	7	48,359	30,223
Intangible assets	15	318,044	316,459
Total non-current assets		2,806,405	2,819,741
Total assets		2,992,030	3,183,271
Current liabilities			
Trade and other payables	16	41,234	43,200
Borrowings	17	56,000	209,465
Derivative financial instruments	12	42,578	34,976
Current tax liabilities	7	3,660	4,348
Provisions	18	3,449	3,422
Total current liabilities		146,921	295,411
Non-current liabilities			
Payables	16	99	173
Borrowings	17	1,013,214	1,042,952
Derivative financial instruments	12	148,575	66,693
Provisions	18	255	290
Total non-current liabilities		1,162,143	1,110,108
Institutional equity partnerships classified as liabilities	19	1,157,133	1,136,976
Total liabilities		2,466,197	2,542,495
Net assets		525,833	640,776
Equity holders of the parent			
Contributed equity	20	2,305	2,305
Reserves	21	(246,506)	(187,440)
Retained earnings	22	31,825	87,020
		(212,376)	(98,115)
Equity holders of the other stapled entities (non-controlling interests)			
Contributed equity	20	759,337	759,337
Reserves	21	-	-
Retained earnings	22	(21,128)	(20,446)
		738,209	738,891
Total equity		525,833	640,776

The above statements of financial position should be read in conjunction with the accompanying Notes to the Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Attributable to equity holders of the parent						
	Note	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Total equity at 1 July 2010		2,305	(189,185)	147,110	(39,770)	761,698	721,928
Net loss for the year		-	-	(60,090)	(60,090)	(904)	(60,994)
Changes in the fair value of cash flow hedges, net of tax	21(b)	-	46,643	-	46,643	-	46,643
Exchange differences on translation of foreign operations and movement in fair value	21(a)	-	(45,517)	-	(45,517)	-	(45,517)
Total comprehensive loss for the year		-	1,126	(60,090)	(58,964)	(904)	(59,868)
Transactions with owners in their capacity as owners:							
Recognition of share-based payments	21(d)	-	619	-	619	-	619
Contributions of equity, net of transaction costs	20, 24	-	-	-	-	981	981
Distributions paid	20, 24	-	-	-	-	(22,884)	(22,884)
Total equity at 30 June 2011		2,305	(187,440)	87,020	(98,115)	738,891	640,776
Net loss for the year		-	-	(55,195)	(55,195)	(682)	(55,877)
Changes in the fair value of cash flow hedges, net of tax	21(b)	-	(68,519)	-	(68,519)	-	(68,519)
Exchange differences on translation of foreign operations and movement in fair value	21(a)	-	10,522	-	10,522	-	10,522
Total comprehensive loss for the year		-	(57,997)	(55,195)	(113,192)	(682)	(113,874)
Transactions with owners in their capacity as owners:							
Recognition of share-based payments	21(d)	-	(1,069)	-	(1,069)	-	(1,069)
Contributions of equity, net of transaction costs	20, 24	-	-	-	-	-	-
Distributions paid	20, 24	-	-	-	-	-	-
Total equity at 30 June 2012		2,305	(246,506)	31,825	(212,376)	738,209	525,833

The above statements of changes in equity should be read in conjunction with the accompanying Notes to the Financial Statements.

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Loss for the period		(55,877)	(60,994)
Adjustments for:			
Net income from institutional equity partnerships		(4,374)	(16,414)
(Gain) / loss on revaluation for fair value through profit or loss financial assets – financial instruments		8,676	(3,497)
Loss on sale of investments	6(e)	-	31,132
Share of loss in associates		432	552
Depreciation and amortisation of non-current assets		140,125	146,329
Foreign exchange gain		(8,468)	(7,320)
Amortisation of share based expense	21(d)	(1,154)	619
Amortisation of borrowing costs capitalised		1,621	787
(Decrease) / Increase in current tax liability		(688)	1,933
(Decrease) / Increase in deferred tax balances		(2,538)	(9,569)
Changes in operating assets and liabilities, net of effects from acquisition and disposal of businesses:			
(Increase) / decrease in assets:			
Current receivables and other current assets		362	(15,122)
Increase / (decrease) in liabilities:			
Current payables		(3,199)	(3,059)
Non-current payables		(109)	(313)
Net cash inflow from operating activities		74,809	65,064
Cash flows from investing activities			
Proceeds on sale of controlled entities, net of cash disposed	6(e), 6(i)	-	169,707
Payments for property, plant and equipment		(27,481)	(71,448)
Proceeds on sale of property, plant and equipment		667	-
Payments for intangible assets		(7,571)	(14,160)
Payments for investments in controlled and jointly controlled entities		(1,061)	-
Payments in relation to potential and completed sales of overseas assets		-	(5,653)
Payments for investments in associates		(155)	-
Net cash inflow / (outflow) from investing activities		(35,601)	78,446
Cash flows from financing activities			
Proceeds from borrowings	17(a)	22,258	32,742
Repayment of finance leases	17(a)	-	(3,709)
Repayment of borrowings	17(a)	(214,930)	(41,094)
Distributions paid to institutional equity partners	19	(27,620)	(17,646)
Distributions paid to security holders	24	-	(21,903)
Net cash outflow from financing activities		(220,292)	(51,610)
Net increase / (decrease) in cash and cash equivalents		(181,084)	91,900
Cash and cash equivalents at the beginning of the financial year		304,875	219,891
Effects of exchange rate changes on the balance of cash held in foreign currencies		2,912	(6,916)
Cash and cash equivalents at the end of the financial year	34(a)	126,703	304,875

The above cash flow statements should be read in conjunction with the accompanying Notes to the Financial Statements.

1. Summary of accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Stapled security

The shares of Infigen Energy Limited ('IEL') and Infigen Energy (Bermuda) Limited ('IEBL') and the units of Infigen Energy Trust ('IET') are combined and issued as stapled securities in Infigen Energy Group ('Infigen' or the 'Group'). The shares of IEL and IEBL and the units of IET cannot be traded separately and can only be traded as stapled securities.

This financial report consists of the consolidated financial statements of IEL, which comprises IEL and its controlled entities, IET and its controlled entities and IEBL, together acting as Infigen.

Summarised financial information relating to the parent entity, Infigen Energy Limited, is presented in note 37.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Infigen is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial report and parent entity information of IEL complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

b) Consolidated accounts

(i) Application of UIG 1013 Pre-date of Transition Stapling Arrangements and AASB Interpretation 1002 Post-date of

Transition Stapling Arrangements

For the purpose of UIG 1013 and AASB Interpretation 1002, IEL was identified as the parent entity in relation to the pre-date of transition stapling with IET and the post-date of transition stapling with IEBL. In accordance with UIG 1013, the results and equity of IEL and of IET have been combined in the financial statements. However, since IEL had entered into both pre and post-date of transition stapling arrangements, the results and equity of IET and IEBL are both treated and disclosed as non-controlling interests under the principles established in AASB Interpretation 1002.

Summary of accounting policies (continued)

c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of IEL as at 30 June 2012 and the results of all subsidiaries for the year then ended. IEL and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including certain institutional equity partnerships and other special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with non-controlling interests as transactions with a shareholder. Purchases from non-controlling interests result in an acquisition reserve being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheets respectively.

(ii) Jointly controlled entities

Jointly controlled entities, consolidated under the proportionate consolidation method, are entities over whose activities the Group has joint control, under a contractual agreement, together with the other owners of the entity. They include certain institutional equity partnerships. The consolidated financial statements include the Group's proportionate share of the joint venture's assets and liabilities, revenues and expenses, from the date the joint control begins until it ceases.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

Summary of accounting policies (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

d) Trade and other payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

e) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(o)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit and loss.

f) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Summary of accounting policies (continued)

g) Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets are capitalised as part of the cost of those assets. Other borrowing costs are expensed.

h) Assets under construction

Costs incurred in relation to assets under construction are deferred to future periods. Deferred costs are transferred to plant and equipment from the time the asset is held ready for use on a commercial basis. Revenue generated in advance of the asset being ready for use on a commercial basis is capitalised as a component of property, plant and equipment.

i) Property, plant and equipment

Wind turbines and associated plant, including equipment under finance lease, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is recognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

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.

The Group's policy is to provide for the future costs relating to the decommissioning of wind turbines and associated plant if the amounts are expected to result in an outflow of economic benefits. The net costs of decommissioning wind turbines and associated plant are reviewed at the end of each annual reporting period.

Depreciation is provided on wind turbines and associated plant. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

Wind turbines and associated plant	25 years
Fixtures and fittings	10-20 years
Computer equipment	3-5 years

Summary of accounting policies (continued)

j) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument; in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the cash flows of highly probable forecast transactions (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

At the inception of the hedging transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging overseas businesses is recognised in the income statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as depreciation in the case of fixed assets.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

(ii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses deferred in the foreign currency translation reserve are recognised immediately in the income statement when the foreign operation is partially disposed of or sold.

Summary of accounting policies (continued)

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

k) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

l) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The Group has determined the operating segments based on reports reviewed by the Board of Directors of IEL that are used to make strategic decisions

m) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Summary of accounting policies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are

repaid, a proportionate share of such exchange differences is recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

n) Income tax

Current tax

Current tax expense is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax expense is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to realise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/ Group intends to settle its current tax assets and liabilities on a net basis.

Summary of accounting policies (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Under current Bermudian law, IEBL will not be subject to any income, withholding or capital gains taxes in Bermuda.

Current and deferred tax is determined with reference to the tax jurisdiction in which the relevant entity resides.

Tax consolidation

IEL and its wholly-owned Australian controlled entities have implemented the Australian tax consolidation legislation. The head entity, IEL, and the controlled entities in the tax-consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred amounts, IEL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 7.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

o) Intangible assets

(i) Project-related agreements and licences

Project-related agreements and licences include the following items:

- licences, permits and approvals to develop and operate a wind farm, including governmental authorisations, land rights and environmental consents;
- interconnection rights; and
- power purchase agreements.

Project-related agreements and licences are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives, which are based on the lease term of the related wind farm.

(ii) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill on acquisition is separately disclosed in the balance sheet. Goodwill acquired in business combinations is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is amortised immediately in the income statement and is not subsequently reversed. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Summary of accounting policies (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

(iii) Development assets

Development assets represent development costs incurred prior to commencement of construction for wind farms. Development assets are not amortised, but are transferred to plant and equipment and depreciated from the time the asset is held ready for use on a commercial basis.

p) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) Group as lessee

Assets held under finance leases are initially recognised at their fair value; or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against

income, unless they are directly attributable to qualifying assets, in which case they are recognised in accordance with the Group's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the shorter of the lease term and estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(ii) Group as lessor

Refer to Note 1(u) for the accounting policy in respect of lease income from operating leases.

q) Impairment of assets

At each reporting date, the consolidated group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group has estimated the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Summary of accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

For assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating unit). If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

r) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

s) Provisions

Provisions are recognised when the consolidated group has a present legal or constructive obligation as a result of past events, it is probable an outflow of resources will be required to settle the obligation, and the amount of the provision can be measured reliably. Provisions are not recognised for future operating losses.

The amount recognised as a provision is management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

t) Distributions and dividends

Provision is made for the amount of any declared distribution or dividend which has been appropriately authorised on or before the end of the financial year and which is no longer at the discretion of the entity, but not distributed at balance date.

u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Summary of accounting policies (continued)

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Electricity sales

Product sales are generated from the sale of electricity generated from the Group's wind farms. Revenues from product sales are recognised on an accruals basis. Product sales revenue is only recognised when the significant risks and rewards of ownership of the products have passed to the buyer and the Group attains the right to be compensated.

(ii) Lease income

In accordance with UIG 4 Determining whether an Asset Contains a Lease, revenue that is generated under certain power purchase agreements, where the Group sells substantially all of the related electricity to one customer, is classified as lease income.

Lease income from operating leases is recognised in income on an accruals basis. Lease income is only recognised when the significant risks and rewards of ownership of the products have passed to the buyer and the Group attains the right to be compensated.

(iii) Large-scale Generation Certificates (LGCs) (formerly Renewable Energy Certificates (RECs))

In accordance with AASB 102 revenue from the sale of LGCs is recognised at fair value when they are generated. By recognising LGCs at fair value, income is recognised in the same period as the costs incurred. AASB102 requires LGCs held in inventory to be valued at the lower of cost and net realisable value at the end of each reporting period. Hence where the market value of LGCs falls, inventory is reduced and expense is recorded through the Statement of Comprehensive Income as a component of Operating expenses. Where the circumstances that caused the inventory to be written-down have changed, the write-down will be reversed. Upon sale, the difference between the sale price and the book value of the inventory is recorded through the Statement of Comprehensive Income as a component of revenue.

(iv) Production Tax Credits (PTCs)

PTCs are recognised as other income when generated by the underlying wind farm assets and used to settle the obligation to Class A institutional investors.

Summary of accounting policies (continued)

(v) Accelerated tax depreciation credits and operating tax gains/(losses)

The tax losses as a result of accelerated tax depreciation credits on wind farm assets are used to settle the obligation to Class A institutional investors when received. The associated income is recognised over the life of the wind farm to which they relate.

(vi) Government grants

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

(vii) Other income

Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established. Revenue from rendering of services is recognised when services are provided.

v) Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment. Trade receivables are generally due for settlement within 30 days.

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of loans and receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the income statement within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

x) Earnings per security / share

Basic earnings per security / share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per security / share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Summary of accounting policies (continued)

y) Fair value estimation

The fair value of the financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. These instruments are included in level 2 (refer to Note 35).

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

z) Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised.

A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held-for-sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

aa) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date in which employees render the related service are recognised in respect of employees' services up to the balance date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in payables. All other short-term employee benefit obligations are presented as provisions.

Summary of accounting policies (continued)

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the balance date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation benefits are provided to certain executives via the Infigen Energy Equity Plan (Equity Plan). Information relating to the Equity Plan is set out in Note 25.

The fair value of performance rights/units and options granted under the Equity Plan is measured at grant date and is recognised as an employee benefit expense over the period during which the executives become unconditionally entitled to the options, with a corresponding increase in equity.

The fair value at grant date is independently determined using market prices and a model that takes into account the exercise price, the term of the option, the effect of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The model incorporates the performance hurdles that must be met before the share-based payments vests in the holder.

The fair value of the options that have been granted is adjusted to reflect market vesting conditions, but excludes the effect of any non-market vesting conditions including the Total Shareholder Return and Operational Performance hurdles. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The effect of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(iv) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Summary of accounting policies (continued)

bb) Institutional equity partnerships classified as liabilities

(i) Class A members

Initial contributions by Class A members into US partnerships are recognised at cost using the effective interest method. Class A carrying amounts are adjusted when actual cash flow differs from estimated cash flow. The adjustment is calculated by computing the present value of the actual difference using the original effective interest rate. The adjustment is recognised through income or expense in profit or loss. This difference represents the change in residual interest due to the Class A institutional investors.

(ii) Class B members

On consolidation of the US partnerships the Group's Class B membership interest and associated finance charge for the year is eliminated and any external Class B member balances remaining represents net assets of US partnerships attributable to non-controlling interests. Refer 1(c) for further details of the Group's accounting policy for consolidation.

cc) Rounding of amounts

The Group is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

dd) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the effect of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2015)

AASB9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group has not yet decided when to adopt AASB 9 and has not assessed the effect.

(ii) AASB 10, AASB 11 and AASB 12 and revised AASB 27 and AASB 28 – Consolidations, joint arrangements and associated disclosures (effective 1 January 2013)

AASB 10 replaces all guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purposes Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principle relationships.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the

Summary of accounting policies (continued)

choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of the ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

The group will be required to change its accounting method for jointly controlled entities that are considered to be joint ventures under AASB 11, from the proportion consolidation method of accounting to the equity method. Infigen does not expect the adoption of this standard to have a material impact on net profit, retained earnings or net assets, however some balances will require reclassification within the consolidated statement of comprehensive income and the statement of financial position.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

ee) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial effect on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Some of the estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Summary of accounting policies (continued)

(i) Estimated useful economic life of wind turbines and associated plant

As disclosed in Note 1(i) the Group depreciates property, plant and equipment over 25 years. This period of depreciation is utilised for wind turbines and associated plant that have useful economic lives in excess of 25 years as no determination has been made to extend the life of the project beyond this period.

(ii) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(q). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 15 for details of these assumptions and the potential effect of changes to the assumptions.

(iii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group is required to make assessments in relation to the recoverability of future tax losses which have been recognised as deferred tax assets.

(iv) Contingent liabilities

As disclosed in note 27, the Group has made estimates and assumptions in relation to its contingent liabilities. By their nature, the exact value of these contingent liabilities is uncertain and the Group has made estimates of their value based on the facts and circumstances known at the reporting date.

(v) Institutional Equity Partnerships

The Group has made estimates and assumptions in relation to Institutional equity partnerships classified as liabilities. These estimates are long term in nature, and where applicable are sourced from third party information. Where these estimates and assumptions are unable to be sourced from third parties, the Group has used its own estimates based on the information available at reporting date.

ff) Parent entity financial information

The financial information for the parent entity, Infigen Energy Limited, disclosed in note 37, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Infigen Energy Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Infigen Energy Limited and its wholly-owned Australian controlled entities have implemented the Australian tax consolidation legislation.

The head entity, Infigen Energy Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Infigen Energy Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Summary of accounting policies (continued)

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Infigen Energy Limited for any current tax payable assumed and are compensated by Infigen Energy Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Infigen Energy Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2. Segment information

a) Segment information provided to the Board of Directors

The Group has determined the operating segments based on the reports reviewed by the Board of Directors of IEL that are used to make strategic decisions.

The Board of Directors considers the business primarily from a geographic perspective and has identified two reportable segments. The reporting segments consist of the wind farm generation and asset management businesses held within each geographical area.

The segment information provided to the Board of Directors for the operating segments is as follows

	Australia \$'000	US \$'000	Total \$'000
Year ended 30 June 2012			
Statutory revenue			283,473
Revenue - non-controlling interests			(16,896)
Segment revenue (economic interest basis)	125,804	140,773	<u>266,577</u>
Segment EBITDA from Operations (economic interest basis)	91,058	66,339	157,397
LGCs revaluation and other			(1,077)
Corporate costs			(11,521)
Development costs ¹			(4,306)
EBITDA (economic interest basis)			<u>140,493</u>
Year ended 30 June 2011			
Statutory revenue			285,319
Revenue - non-controlling interests			(17,740)
Segment revenue (economic interest basis)	117,170	150,409	<u>267,579</u>
Segment EBITDA from Operations (economic interest basis)	86,011	81,118	167,129
Other income			758
Corporate costs			(18,650)
Development costs ¹			(3,671)
EBITDA (economic interest basis)			<u>145,566</u>

¹ Includes share of net losses of associates accounted for using the equity method

The Board of Directors assesses the performance of the operating segments based on a measure of EBITDA (Segment EBITDA).

This measurement basis (Segment EBITDA) excludes the effects of equity-settled share-based payments which are included in Corporate costs and unrealised gains/losses on financial instruments.

Segment EBITDA is calculated on an economic interest basis. The entity has a controlling interest in two US LLCs in which it owns more than 50% but less than 100% of the Class B interests. Under IFRS the Group fully

Segment information (continued)

consolidates the financial performance of these companies within its statutory results and recognises a non-controlling interest. Under economic interest basis, the non-controlling interest portion is not included in the results

b) Segment information provided to the Board of Directors

Interest income and expenditure are not allocated to segments, as this type of activity is managed by the corporate treasury function as part of the cash position of the Group.

The Board of Directors review segment revenues on a proportional basis, reflective of the economic ownership held by the Group.

A reconciliation of Segment EBITDA to operating profit before income tax and discontinued operations is provided as follows

	2012 \$'000	2011 \$'000
Segment EBITDA (economic interest basis)	140,493	145,566
Non-controlling interests proportionally consolidated for segment reporting	12,199	13,662
Income from institutional equity partnerships	63,554	61,638
Other income	11,468	20,425
Depreciation and amortisation expense	(140,125)	(136,302)
Interest expense	(74,785)	(87,873)
Finance costs relating to institutional equity partnerships	(59,180)	(45,224)
Other finance costs	(11,772)	(6,918)
Net loss before income tax expense and discontinued operations	(58,148)	(35,026)

A summary of assets by operating segment is provided as follows:

	Australia \$'000	US \$'000	Total \$'000
As at 30 June 2012			
Current assets	144,534	41,091	185,625
Non-current assets	1,156,586	1,649,819	2,806,405
Total	1,301,120	1,690,910	2,992,030
As at 30 June 2011			
Current assets	273,056	90,474	363,530
Non-current assets	1,166,368	1,653,373	2,819,741
Total	1,439,424	1,743,847	3,183,271

3. Revenue

	2012 \$'000	2011 \$'000
From continuing operations		
Sale of energy and environmental products ¹	46,618	45,645
Lease of plant and equipment ²	227,130	233,323
Compensation for revenues lost as a result of O&M providers not meeting contracted turbine availability targets	6,144	1,478
Asset management services	3,361	4,624
Grant revenue	220	249
	283,473	285,319
From discontinued operations (Note 6)		
Sale of energy and environmental products ¹	-	24,351
	-	24,351

¹ Includes revenue from the sale of electricity and from the generation of environmental certificates. The Group generates environmental certificates (including LGCs) and sells them under contractual arrangements and on market.

² In accordance with UIG 4 Determining whether an Asset Contains a Lease, revenue that is generated under certain power purchase agreements, where the Group sells substantially all of the related electricity and environmental certificates to one customer, is classified as lease income. Refer Note 1(u) for further information

4. Other income

	2012 \$'000	2011 \$'000
From continuing operations:		
Income from institutional equity partnerships (note 19)		
Value of production tax credits offset against Class A liability	78,519	81,939
Value of tax losses offset against Class A liability	1,279	14,936
Benefits deferred during the period	(16,244)	(35,237)
	63,554	61,638
Other income		
Interest income: Related parties (note 32(c))	-	7,936
Interest income: Institutions	3,000	5,927
Net foreign exchange gains	8,468	7,320
	11,468	21,183

5. Expenses

	2012 \$'000	2011 \$'000
From continuing operations:		
Loss before income tax has been arrived at after charging the following expenses:		
Other expenses:		
Development costs	3,874	1,341
Loss on sale of investment	-	314
Expenses relating to non-viable projects	-	1,464
	3,874	3,119
Depreciation and amortisation expense:		
Depreciation of property, plant and equipment (Note 14)	125,632	121,271
Amortisation of intangible assets (Note 15)	14,493	15,031
	140,125	136,302
Finance costs relating to institutional equity partnerships:		
Allocation of return on outstanding Class A liability ¹	42,830	46,950
Movement in residual interest (Class A) ¹	8,924	(6,317)
Movement in non-controlling interest (Class B) ¹	7,426	4,591
	59,180	45,224
Other finance costs:		
Fair value losses on financial instruments ²	8,676	5,141
Bank fees and loan amortisation costs	3,096	1,777
	11,772	6,918

¹ Refer Note 19 for further details.

² Included within fair value losses on financial instruments in year ended 2012 is an expense of \$5,924,354 (2011: gain of \$3,496,998) relating to an interest rate swap which does not qualify for hedge accounting. Therefore the unrealised loss from its revaluation has been taken to the profit and loss.

Included within fair value losses on financial instruments in year ended 30 June 2011 is an expense of \$8,638,000 relating to the termination of an interest rate swap with an early termination option. The terminated interest rate swap had previously been hedge accounted with the unrealised loss taken to reserves. The unrealised loss held in reserves was subsequently reversed upon termination.

6. Discontinued operations

a) Details of disposed operations

30 June 2012

Infigen did not dispose any of its operations in the year ended 30 June 2012.

30 June 2011

During the year ended 30 June 2011, Infigen sold its portfolio of wind farms in Germany. The sale was agreed on 11 June 2011 and settlement occurred on 29 June 2011.

b) Financial performance

The results of the discontinued operations for the year ended 30 June 2011 is presented below:

	2011 \$'000
Revenue (Note 3)	24,351
Other income	872
Expenses	(28,418)
Loss before income tax	(3,195)
Income tax expense	(658)
Loss after income tax of discontinued operations	(3,853)
Loss on sale of subsidiary after income tax	(31,132)
Loss from discontinued operations	(34,985)¹

¹ Loss from discontinued operations is attributable to the stapled security holders as equity holders of the parent.

c) Major classes of assets and liabilities of the German disposed entities

	As at 29 June 2011 \$'000
Cash	5,049
Receivables	8,348
Investment in associate	372
Property, plant and equipment	191,848
Intangibles	24,837
Other assets	1,445
Total assets	231,899
Payables	1,537
Deferred tax liabilities	527
Finance leases	35,167
Total liabilities	37,231
Net assets attributable to discontinued operations	194,668



Notes to the consolidated financial statements
For the year ended 30 June 2012

Discontinued operations (continued)

d) Cash flow information of the German disposed entities

	30 June 2011 \$'000
Net cash inflow from operating activities	14,440
Net cash outflow from investing activities	(7,053)
Net cash outflow from financing activities	(5,027)
Net cash inflow	2,360

e) Details of the sale of the German entities

	As at 29 June 2011 \$'000
Consideration received:	
Cash received from sale	163,536
Infigen's share of net assets attributable to discontinued operations	(194,668)
Loss on sale before income tax	(31,132)
Income tax expense	-
Loss on sale after income tax	(31,132)²
Net cash inflow on disposal:	
Cash and cash equivalents consideration	176,574
Less: Cash and cash equivalents balance disposed of	(5,049)
Less: Transaction costs	(1,818)
Proceeds on sale of subsidiary, net of cash disposed	169,707
Less: Estimated interest rate swap close out costs	(6,171)
Net cash to be received from sale	163,536

² Loss on sale after income tax comprises loss on disposal of investment in German entities of \$23,143,000, estimated financing costs of \$6,171,000 and transaction costs of \$1,818,000.

7. Income taxes and deferred taxes

a) Income tax expense

	2012 \$'000	2011 \$'000
Current tax	(15,320)	(10,741)
Deferred tax	13,049	2,382
	(2,271)	(8,359)
Income tax (benefit) / expense is attributable to:		
(Loss) / profit from continuing operations	(2,271)	(9,017)
Loss from discontinued operations (Note 6(b))	-	658
Aggregate income tax expense	(2,271)	(8,359)
Deferred income tax expense included in income tax (benefit) / expense		
Increase in deferred tax assets	2,990	(1,128)
Increase in deferred tax liabilities	10,059	3,510
	13,049	2,382

b) Numerical reconciliation of income tax expense / (benefit) to prima facie tax payable:

	2012 \$'000	2011 \$'000
Loss from continuing operations before income tax expense	(58,148)	(35,026)
Loss from discontinued operations before income tax expense (Note 6)	-	(34,327)
	(58,148)	(69,353)
Income tax benefit calculated at 30% (2011: 30%)	(17,445)	(20,806)
Increase / (decrease) in tax benefit due to:		
Tax losses not recognised as an asset	11,147	7,385
Non-deductible expenses resulting from sale of foreign assets	-	8,932
Unrealised foreign exchange movement	1,416	(3,312)
Sundry items	2,610	(45)
Assessable (income) / expense recognised on internal reorganisation	-	(513)
Income tax (benefit) / expense	(2,271)	(8,359)

c) Amounts recognised directly in equity

The following deferred amounts were not recognised in net profit or loss but charged directly to equity during the period:

	2012 \$'000	2011 \$'000
Deferred tax asset	(15,598)	(2,783)
Deferred tax liabilities	-	2,827
Net deferred tax	(15,598)	44

Income taxes and deferred taxes (continued)

d) Tax losses

	2012 \$'000	2011 \$'000
Unused tax losses for which no deferred tax asset has been recognised	(372,910)	(299,837)
Potential tax benefit @ 30%	111,873	89,951

e) Tax consolidation

IEL and its wholly-owned Australian resident entities have formed an Australian tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is IEL. The members of the tax-consolidated group are identified in Note 29.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, IEL and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

f) Current tax liabilities

	2012 \$'000	2011 \$'000
Income tax payable attributable to:		
Overseas entities in the Group	3,660	4,348
	3,660	4,348

Income taxes and deferred taxes (continued)

	Opening balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions / disposals \$'000	Closing balance \$'000
Year ended 30 June 2012					
Gross deferred tax assets:					
Unused revenue tax losses	70,546	13,257	-	-	83,803
Effect of hedge movements	12,253	4,599	15,598	-	32,450
Unrealised foreign exchange loss	12,873	(5,259)	-	-	7,614
	95,672	12,597	15,598	-	123,867
Gross deferred tax liabilities:					
Depreciation	(50,182)	(9,198)	-	-	(59,380)
Unrealised foreign exchange gains	(12,500)	(89)	-	-	(12,589)
Other	(2,767)	(772)	-	-	(3,539)
	(65,449)	(10,059)	-	-	(75,508)
Total deferred tax assets	30,223	2,538	15,598	-	48,359
Year ended 30 June 2011					
Gross deferred tax assets:					
Unused revenue tax losses	64,265	6,281	-	-	70,546
Effect of hedge movements	26,739	(2,577)	(11,909)	-	12,253
Unrealised foreign exchange loss	6,323	(2,576)	9,126	-	12,873
	97,327	1,128	(2,783)	-	95,672
Gross deferred tax liabilities:					
Depreciation	(52,598)	2,416	-	-	(50,182)
Unrealised foreign exchange gains	(9,958)	(5,369)	2,827	-	(12,500)
Other	(2,210)	(1,084)	-	527	(2,767)
	(64,766)	(4,037)	2,827	527	(65,449)
Total deferred tax assets	32,561	(2,909)	44	527	30,223

The group has assessed the expected taxable income to be generated in future periods and based on this assessment, temporary differences for deferred tax assets have been recognised to the extent that it is probable that they will be utilised.

	2012 \$'000	2011 \$'000
Deferred tax assets to be recovered within 12 months	-	-
Deferred tax assets to be recovered after more than 12 months	48,359	30,223
	48,359	30,223

8. Key management personnel remuneration

a) Details of key management personnel

The following Directors were Key Management Personnel (KMP) of Infigen during the financial years ended 30 June 2012 and 30 June 2011:

- Michael Hutchinson – Non-Executive Chairman
- Miles George – Managing Director
- Philip Green – Non-Executive Director
- Fiona Harris – Non-Executive Director
- Ross Rolfe AO – Non-Executive Director (appointed 9 September 2011)
- Douglas Clemson – Non-Executive Director (retired 11 November 2011)

Other KMP of Infigen were:

Name	Role	2012	2011
M George	Chief Executive Officer	✓	✓
G Dutailis	Chief Operating Officer	✓	✓
C Baveystock ¹	Chief Financial Officer	✓	✓
B Hopwood	General Manager – Corporate Finance	✓	✓
G Dover ²	Chief Financial Officer	x	✓
S Taylor	Group General Manager - Australia	✓	x
S Wright	General Counsel	✓	x
C Carson	Chief Executive Officer – USA	✓	x

¹ Appointed 14 March 2011

² Resigned 31 December 2010

b) Key management personnel remuneration

The aggregate remuneration of KMP of Infigen for the years ended 30 June 2012 and 30 June 2011 is set out below:

	2012	2011
	\$	\$
Short-term employee benefits ³	3,929,002	2,914,779
Post-employment benefits (superannuation)	140,443	107,807
Deferred share-based short term incentive	696,812	-
Other long-term benefits and share-based incentive expense allocation ⁴	1,120,239	816,599
Write-back prior years long-term share-based incentive expense allocation	(1,961,421)	-
Total	3,925,075	3,839,185

³ Includes short-term incentives accrued in respect of the current period.

⁴ Share-based incentive expense allocations are subject to performance rights and units vesting in the future.

Key management personnel remuneration (continued)

c) Rights, options and awards held over Infigen securities

Performance rights/units and options over Infigen securities were granted to certain KMP in year ended 30 June 2009 under the Infigen Energy Equity Plan (Equity Plan). During the year ended 30 June 2012 Performance Rights and units were granted to KMP under the Equity Plan.

No performance rights/units or options over Infigen securities were vested or became exercisable in the years ended 30 June 2012 and 30 June 2011. No Infigen securities were acquired by KMP as a result of the exercise of options during the years ended 30 June 2012 and 30 June 2011.

Performance rights/units and options held by KMP over Infigen securities over the period 1 July 2011 to 30 June 2012 are set out below. The expense recognised in relation to the performance rights/units and options under the Equity Plan is recorded within corporate costs.

Set out below are summaries of the number of performance rights and units granted to KMP:

	Balance at 30 June 2010	Granted	Other changes	Balance at 30 June 2011	Granted	Other Changes ²	Balance at 30 June 2012
M George	1,112,925	807,128	-	1,920,053	917,374	(556,463)	2,280,964
G Dutailis	578,721	398,182	-	976,903	463,384	(289,361)	1,150,926
B Hopwood	173,616	117,736	-	291,352	309,966	(86,808)	514,510
G Dover	578,721	-	(578,721)	N/A	-	-	N/A
C Baveystock	N/A	-	-	-	309,966	-	309,966
S Taylor	N/A	-	-	343,736¹	309,966	-	653,702
S Wright	N/A	-	-	126,866¹	-	-	126,866
C Carson	N/A	-	-	-	-	-	-

¹ Granted before becoming a KMP

² Represents forfeitures due to vesting conditions not met

Refer to the table titled "Outstanding Performance Rights" in the Directors' report for further details of the balances held at 30 June 2012. There has been no change in options granted during year ended 30 June 2012.

Set out below are summaries of options granted to KMP:

	Balance at 30 June 2010	Other changes	Balance at 30 June 2011	Granted	Other changes	Balance at 30 June 2012
M George	5,053,908	-	5,053,908	-	(2,526,954)	2,526,954
G Dutailis	2,628,032	-	2,628,032	-	(1,314,016)	1,314,016
B Hopwood	788,410	-	788,410	-	(394,205)	394,205
G Dover	2,628,032	(2,628,032)	N/A	-	-	N/A

All options held on 30 June 2012 and 30 June 2011 were granted on 27 March 2009 and will expire on 31 December 2013 if they do not vest in accordance with the performance conditions relating to the options. The option exercise price is \$0.897.

d) Loans from Infigen to key personnel and their personally related entities

No loans have been made by Infigen to KMP or their personally related parties during the years ended 30 June 2012 and 30 June 2011. There are no other transactions with KMP.

Key management personnel remuneration (continued)

e) Security holdings in Infigen

No Infigen securities were granted as remuneration to KMP during the years ended 30 June 2012 and 30 June 2011. Security holdings of KMPs, including their personally related parties, in Infigen securities over the period 1 July 2011 to 30 June 2012 are set out below.

Set out below are summaries of security holding of KMP in Infigen:

	Balance at 1 July 2010	Other changes	Balance at 30 June 2011	Acquired during 2012	Other changes	Balance at 30 June 2012
M Hutchinson	-	-	-	110,000	-	110,000
D Clemson	140,000	-	140,000	-	(140,000)	N/A
P Green ¹	-	-	-	-	-	-
F Harris	-	-	-	100,000	-	100,000
R Rolfe AO	-	-	-	-	-	-
A Battle	42,634	(42,634)	N/A	-	-	N/A
G Kelly	10,000	(10,000)	N/A	-	-	N/A
M George	500,000	-	500,000	150,000	-	650,000
G Dutailis	641,820	-	641,820	100,000	-	741,820
C Baveystock	-	-	-	40,000	-	40,000
B Hopwood	10,000	-	10,000	-	-	10,000
G Dover	10,000	(10,000)	N/A	-	-	N/A
S Taylor	N/A	-	5,917 ²	-	-	5,917
S Wright	N/A	-	-	-	-	-
C Carson	N/A	-	-	-	-	-

¹ Mr Green is a partner of The Children's Investment Fund Management (UK) LLP which has a substantial shareholding of Infigen securities. Mr Green has advised Infigen that he does not have a relevant interest in those Infigen securities.

²Granted before becoming a KMP.



9. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity its related practices and non-related audit firms:

	2012 \$	2011 \$
Audit services by:		
Auditors of the Company (PricewaterhouseCoopers)		
<i>Australia</i>		
Audit and review of the financial statements	900,691	1,165,732
Audit and review of subsidiaries' financial statements	174,309	232,400
<i>Overseas</i>		
Audit and review of subsidiaries' financial statements	486,432	-
	1,561,432	1,398,132
Other auditors		
<i>Overseas</i>		
Audit and review of subsidiaries' financial statements	-	310,190
	-	310,190
Other services by:		
Auditors of the Company (PricewaterhouseCoopers)		
<i>Australia</i>		
Taxation services	70,000	38,000
	70,000	38,000
Total remuneration of auditors	1,631,432	1,746,322

10. Trade and other receivables

	2012 \$'000	2011 \$'000
Current		
Trade receivables	29,621	33,906
Amounts due from related parties - associates (Note 32(c))	-	399
Prepayments (Note 10(f))	8,834	8,425
Other receivables	1,489	2,856
	39,944	45,586
Non-current		
Amounts due from related parties - associates (Note 32(c))	1,348	819
Prepayments (Note 10(f))	7,242	9,768
	8,590	10,587

a) Past due but not impaired

As at 30 June 2012, there were no trade receivables that were past due but not impaired (2011: \$2,812,400). Refer to Note 35(b) for more information. The 2011 balance related to a number of independent customers for whom there is no recent history of default.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

b) Impairment of trade receivables

There were no impaired trade receivables for the Group during the years ended 30 June 2012 or 30 June 2011.

c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

d) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 35.

e) Fair value and credit risk

Due to the nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 35 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

f) Prepayments

Included within current prepayments is \$8,834,000 (2011: \$8,425,000) of prepaid operational expenses. Included within non-current prepayments is \$7,242,000 (2011: \$9,768,000) of prepaid operational expenses.

11. Inventory

	2012 \$'000	2011 \$'000
Environmental certificates	10,297	9,070
Spare parts	5,439	3,999
	15,736	13,069

12. Derivative financial instruments

	2012 \$'000	2011 \$'000
Current assets		
At fair value: FX forward option cover	3,242	-
	3,242	-
Non-current assets		
At fair value: Interest rate cap – cash flow hedges	579	1,595
	579	1,595
Current liabilities		
At fair value: Interest rate swaps – cash flow hedges	35,732	34,976
At fair value: FX forward contract	6,846	-
	42,578	34,976
Non-current liabilities		
At fair value: Interest rate swaps – cash flow hedges	148,575	66,693
	148,575	66,693

Refer to Note 35 for further information.

13. Investments in associates

Year ended 30 June 2012

During the year, the Group invested \$395,000 in existing development projects to provide additional funding for continuing development activities in these projects. Of the amount invested during the year, \$155,000 was in the form of cash payments. The increased investments in the existing development projects did not result in any change to the Group's ownership level in these interests.

Year ended 30 June 2011

In March 2011, the Group completed a transaction with renewable energy project developer National Power Partners ('NPP') in relation to the ownership of certain wind farm development projects in its Australian wind energy development pipeline. Under the terms of the transaction, the Group acquired the remaining 50% interest in Bodangora (NSW), Flyers Creek (NSW), Cherry Tree (VIC) and Woakwine (SA) development projects which it did not already own. These 50% interests comprised ordinary shares in development entities. Those ordinary shares were acquired for nominal cash consideration (refer to Note 31).

As part of the transaction, NPP acquired the Group's interests in the 54MW Glen Innes development project in NSW and approximately 100MW of other development projects which were previously being jointly developed ('NPP Acquired Projects').

Investment in associates (continued)

In connection with the above transactions, the Group acquired development rights of \$7,240,000 relating to the Bodangora, Flyers Creek, Cherry Tree and Woakwine development projects, which were paid for by the assignment of receivables to NPP of \$450,000, offset of loans and payables by NPP to the Group of \$2,447,000, exchange of the Group's interests in the NPP Acquired Projects for \$1,389,000, disposal of development rights in the NPP Acquired Projects for \$1,851,000 and a cash payment of \$1,103,000.

The Group has a non-controlling 50% interest in Infigen Suntech Australia Pty Ltd. The Group invested \$1,400,000 in connection with this development during the year.

a) Movements in carrying amounts

	2012 \$'000	2011 \$'000
Carrying amount at the beginning of the financial year	765	3,543
Additions during the year	395	1,400
Share of net losses after income tax	(432)	(552)
Transferred to intangible assets	-	(2,237)
Disposal of carrying value of investments	-	(1,389)
Carrying amount at the end of the financial year	728	765

b) Summarised financial information of associates

The Group's share of the results of its associates and its aggregated assets (including goodwill) and liabilities are as follows:

	2012 \$'000	2011 \$'000
Assets	1,198	1,290
Liabilities	605	738
Revenues	-	-
Net loss after tax	(432)	(552)

c) Contingent liabilities of associates

There were no contingent liabilities relating to associates at the end of the financial year.

14. Property, plant and equipment

	Assets under construction \$'000	Plant & Equipment \$'000	Total \$'000
At 1 July 2010			
Cost or fair value	35,687	3,442,706	3,478,393
Accumulated depreciation	-	(367,499)	(367,499)
Net book value	35,687	3,075,207	3,110,894
Year ended 30 June 2011			
Opening net book value	35,687	3,075,207	3,110,894
Additions	58,232	10,287	68,519
Transfers	2,413	-	2,413
Disposals	-	(191,848)	(191,848)
Depreciation expense	-	(130,325)	(130,325)
Net foreign currency exchange differences	-	(399,541)	(399,541)
Closing net book value	96,332	2,363,780	2,460,112
At 30 June 2011			
Cost or fair value	96,332	2,772,542	2,868,874
Accumulated depreciation	-	(408,762)	(408,762)
Net book value	96,332	2,363,780	2,460,112
Year ended 30 June 2012			
Opening net book value	96,332	2,363,780	2,460,112
Additions	20,264	7,073	27,337
Transfers	(116,596)	116,596	-
Disposals	-	(667)	(667)
Depreciation expense	-	(125,632)	(125,632)
Net foreign currency exchange differences	-	68,955	68,955
Closing net book value	-	2,430,105	2,430,105
At 30 June 2012			
Cost or fair value	-	2,975,182	2,975,182
Accumulated depreciation	-	(545,077)	(545,077)
Net book value	-	2,430,105	2,430,105

Assets under construction are deemed to be qualifying assets. Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalised as part of the cost of that asset.

15. Intangible assets

	Goodwill \$'000	Development assets \$'000	Project-related agreements and licences \$'000	Total \$'000
At 1 July 2010				
Cost	26,457	15,447	390,731	432,635
Accumulated amortisation and impairment	-	-	(39,597)	(39,597)
Net book value	26,457	15,447	351,134	393,038
Year ended 30 June 2011				
Opening net book value	26,457	15,447	351,134	393,038
Additions	-	13,406	3,236	16,642
Transfers	-	(1,449)	(964)	(2,413)
Disposals	(6,381)	(1,851)	(18,456)	(26,688)
Amortisation expense ¹	-	-	(16,004)	(16,004)
Net foreign currency exchange differences	(1,607)	-	(46,509)	(48,116)
Closing net book value	18,469	25,553	272,437	316,459
At 30 June 2011				
Cost	18,469	25,553	316,076	360,098
Accumulated amortisation and impairment	-	-	(43,639)	(43,639)
Net book value	18,469	25,553	272,437	316,459
Year ended 30 June 2012				
Opening net book value	18,469	25,553	272,437	316,459
Additions	-	5,918	1,653	7,571
Transfers	-	(6,063)	6,063	-
Amortisation expense ¹	-	-	(14,493)	(14,493)
Net foreign currency exchange differences	154	-	8,353	8,507
Closing net book value	18,623	25,408	274,013	318,044
At 30 June 2012				
Cost	18,623	25,408	333,323	377,354
Accumulated amortisation and impairment	-	-	(59,310)	(59,310)
Net book value	18,623	25,408	274,013	318,044

¹ Amortisation expense is included in the line item Depreciation and Amortisation Expense in the statement of comprehensive income.

Intangible assets (continued)

a) Impairment tests for cash-generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's countries of operation which represent the lowest level within the Group at which goodwill is monitored for internal management purposes as follows:

	2012 \$'000	2011 \$'000
Australia	15,136	15,136
United States	3,487	3,333
Total goodwill	18,623	18,469

Changes in the carrying amount of goodwill for United States resulted from difference due to foreign exchange translation.

The recoverable amount of the CGU is determined based on value-in-use calculations. The calculations use cash flow projections based on financial projections approved by management covering the life of the wind farms.

Key assumptions for value-in-use calculations

The Group makes assumptions around expected wind resources, availability, prices, operating expenses and gearing in calculating the value-in-use of its CGUs. The Group uses production estimates to reflect the currently expected performance of the assets throughout the forecast period. The forecast period reflects the useful life of the assets held by each CGU as future cash flows over the forecast periods can be reliably estimated. Production is estimated by independent technical consultants on behalf of the Group for each wind farm.

In determining future cash flows for each CGU, the Group continues to apply a 6.0% to 6.5% equity risk premium to the Group's cost of equity in addition to country specific premiums. As a result the rates used to discount equity cash flows by CGU are as follows:

	Pre-tax discount rates	
	2012	2011
Australia	8.3% - 9.1%	9.0% - 11.0%
United States	7.0% - 7.8%	9.0% - 11.0%

The discount rates used reflect specific risks relating to the relevant countries in which they operate. For some wind farms with power purchase agreements, future growth rates are based on CPI in the relevant jurisdiction. For wind farms subject to market prices, future growth rates are based on long term industry price expectations.

As at the end of the current year and prior comparative period, the recoverable amount of each CGU exceeds its carrying amount.

Sensitivity to changes in assumptions

The estimation of the recoverable amount of each CGU was tested for sensitivity using reasonably possible changes in key assumptions. These changes included decreases of up to 15% in gearing assumptions and increases in the equity discount rates of up to 1.5% with all other assumptions remaining constant.

The testing for sensitivity in changes to key assumptions also included the impact of varying future cash flows for increases and decreases of up to 10% in market prices, 5% in production, and 10% in operating costs.

None of these tests resulted in the carrying amount of any CGU exceeding its recoverable amount.

Intangible assets (continued)

b) Project-related agreements and licences

Project-related agreements and licences include the following items: licences, permits and approvals to develop and operate a wind farm, including governmental authorisations, land rights and environmental consents; interconnection rights; and power purchase agreements.

Project-related agreements and licences are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives, which are based on the lease term of the related wind farm.

c) Development assets

Development assets represent the cost of licenses and wind farm development costs incurred prior to commencement of construction for wind farms. When a wind farm is constructed, the development assets relating to that wind farm are capitalised with the cost of constructing wind farms upon completion. Development assets are not amortised but are reclassified and depreciated over the effective life of the eventuating asset as property, plant and equipment when they become ready for use.

16. Trade and other payables

	2012 \$'000	2011 \$'000
Current		
Trade payables and accruals	25,641	26,661
Interest payable	-	1,433
Goods and services and other taxes payable	6,077	6,739
Deferred income	6,575	5,747
Other ¹	2,941	2,620
	41,234	43,200
Non-current		
Other	99	173
	99	173

¹ Includes accrual for employee benefits and annual leave. The entire obligation for annual leave is presented as current because the Group does not have an unconditional right to defer payment.

17. Borrowings

Current

Secured

At amortised cost:

	2012 \$'000	2011 \$'000
Global Facility (i)	54,466	209,465
Project finance debt – Woodlawn (ii)	1,534	-
	56,000	209,465

Non-current

Secured

At amortised cost:

Global Facility (i)	971,083	1,021,457
Project finance debt – Woodlawn (ii)	50,985	32,742
Capitalised loan costs	(8,854)	(11,247)
	1,013,214	1,042,952
Total debt	1,069,214	1,252,417

a) Reconciliation of borrowings

	2012 \$'000	2011 \$'000
Opening balance	1,252,417	1,422,640
Finance lease repayments	-	(3,709)
Finance leases disposed	-	(35,167)
Debt repayments – German Sale	(154,264)	-
Debt repayments – Global Facility	(57,300)	(41,094)
Debt repayments – Woodlawn	(1,600)	-
Other financing repayments	(1,766)	-
Draw down from project financing – Woodlawn (ii)	22,258	32,742
Net loan costs (capitalised) / expensed	2,393	(1,312)
Net foreign currency exchange differences	7,076	(121,683)
Closing balance	1,069,214	1,252,417

b) Capitalised borrowing costs

	2012 \$'000	2011 \$'000
Borrowing costs capitalised during the financial year	-	1,948

Weighted average capitalisation rate on funds borrowed

	2012	2011
	N/A	6.0%

Borrowings (continued)

c) Borrowings by currency

The total value of funds that have been drawn down by currency, converted to Australian dollars (AUD) at the year end exchange rate, are presented in the following table:

	Total Borrowings (Local curr '000)	Total Borrowings (AUD '000)
As at 30 June 2012		
Australian dollars (AUD) – Global facility	539,380	539,380
Australian dollars (AUD) – Woodlawn	52,519	52,519
Euro (EUR) – Global facility	93,356	116,000
US dollars (USD) – Global facility	378,978	370,169
Gross debt		1,078,068
Less capitalised loan costs		(8,854)
Total debt		1,069,214
As at 30 June 2011		
Australian dollars (AUD) – Global facility	622,477	622,477
Australian dollars (AUD) – Woodlawn	32,742	32,742
Euro (EUR) – Global facility	133,175	180,454
US dollars (USD) – Global facility	458,281	427,991
Gross debt		1,263,664
Less capitalised loan costs		(11,247)
Total debt		1,252,417

(i) Global Facility (GF)

The Group's corporate debt facility (the Global Facility) is a fully amortising, multi-currency facility that matures in 2022. The Global Facility is a syndicated facility among a group of Australian and international lenders.

The Global Facility delineates between those Infigen group entities that comprise the Global Facility borrower group (Borrower Group) and those Infigen group entities that are not within the Borrower Group. The latter are generally referred to as "Excluded Companies".

In broad terms, the Borrower Group comprises IEL and substantially all of its subsidiaries, with the exception that none of the following fall within the Borrower Group:

- IET or IEBL
- Infigen Energy Holdings Pty Limited and its subsidiaries, which primarily include the Group's Australian development pipeline project entities and the Group's interests in US development opportunities
- Woodlawn Wind Pty Limited (which owns Woodlawn wind farm)
- the US wind farm entities (which own the US wind farms) and the institutional equity partnerships which own the US wind farm entities

For clarity, the wholly-owned subsidiaries of IEL that are entitled to returns, including cash distributions, from the US wind farm entities, or institutional equity partnerships (refer Note 19), are included within the Borrower Group.

Borrowings (continued)

Excluded Companies

Excluded Companies are quarantined from the Global Facility. Excluded Companies:

- are not entitled to borrow under the Global Facility;
- must deal with companies within the Global Facility on arm's length terms; and,
- are not subject to, or the subject of, the representations, covenants or events of default applicable to the Borrower Group.

Amounts outstanding under the Global Facility

The amounts outstanding under the Global Facility are in Euro, United States dollars and Australian dollars. The base currency of the Global Facility is the Euro.

Principal repayments under the Global Facility

Subsequent to 30 June 2010 and for the remaining term of the Global Facility (expiring December 2022), all surplus cash flows of the Borrower Group, after taking account of working capital requirements, are used to make repayments under the Global Facility on a semi-annual basis (Cash Sweep). The net disposal proceeds of any disposals by Borrower Group entities must also be applied to make repayments under the Global Facility.

During the year ended 30 June 2012 repayments of \$211,564,000 (2011: \$41,094,000) were made. This included \$154,264,000 which was repaid on 6 July 2011 following the disposal of the Group's German assets.

Interest payments

The Group pays interest each six months based on Euribor (Euro drawings), BBSY (Australian dollar) or LIBOR (United States dollar), plus a margin. It is the Group's policy and a requirement of the Global Facility to use financial instruments to fix the interest rate for a portion of the borrowings (refer Note 35).

Financial covenants

During the period of the Cash Sweep, the only financial covenant that applies under the Global Facility is a leverage ratio covenant. This covenant is based on the results of each twelve month period ending 30 June or 31 December and is as follows:

- Through to June 2016: not more than 8.5 times;
- July 2016 to June 2019: not more than 6.0 times;
- July 2019 to expiry of facility (December 2022): not more than 3.0 times.

The leverage ratio is determined by taking the quotient of Net Debt and EBITDA of entities that are within the Borrower Group. EBITDA represents the consolidated earnings of the Borrower Group entities before finance charges, unrealised gains or losses on financial instruments and material items of an unusual or non-recurring nature. In the US this is represented by the cash distributions to Infigen from the wind farm entities. Distributions to Infigen, from the wind farm entities, can vary materially from the US reported EBITDA as a result of Institutional Equity Partnerships (Refer to Note 19).

Review events

A review event would occur if the shares of IEL were removed from the official list of the Australian Securities Exchange or were unstapled from units of IET and shares of IEBL. Such an event would require assessment of the effect on the Global Facility and, if necessary, agreement of an action plan.

Borrowings (continued)

Security

The Global Facility has no asset level security; however, each borrower under the Global Facility is a guarantor of the facilities. In addition, lenders have first ranking security over the issued share capital of, or other ownership interest in:

- the borrowers (other than Infigen Energy Limited); and
- the direct subsidiaries of the borrowers, which are holding entities of each operating wind farm in Infigen's portfolio (other than Woodlawn wind farm).

Global Facility lenders have no security over Excluded Companies.

(ii) Project finance facility – Woodlawn Wind Pty Ltd

Woodlawn Wind Pty Ltd, the Infigen entity that owns the Woodlawn wind farm, is the borrower under an AUD \$55 million project finance facility that matures in September 2014. The lender is Westpac Banking Corporation.

Principal repayments under the Project finance facility

The borrower is required to make debt repayments on a quarterly basis. During the year ended 30 June 2012 repayments of \$1,600,000 (2011: \$nil) were made.

Interest payments

Interest is payable quarterly based on BBSY (Australian dollar) plus a margin. Interest obligations have been hedged at a fixed rate of 4.48% plus the margin for the period to maturity in September 2014.

Security

The lender under the Project finance facility has security over the shares in, and assets and undertaking of Woodlawn Wind Pty Ltd.

18. Provisions

	2012 \$'000	2011 \$'000
Current		
Employee benefits ¹	3,449	3,422
	3,449	3,422
Non-current		
Employee benefits ¹	255	290
	255	290

¹ The current provision for employee benefits represents provision for short term incentives and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances.

19. Institutional equity partnerships classified as liabilities

Nature of institutional equity partnerships

Infigen is a Class B member in twelve (12) US limited liability companies (LLCs) that directly or indirectly own the US wind farms. The Group owns between 50% and 100% of the Class B membership interests in these LLCs. Each of these LLCs also has one or more Class A members (institutional investors), and where the Group does not own 100% of the Class B interests, one or more other Class B members. These LLCs are referred to as institutional equity partnerships (IEPs).

The Group's relationship with the Class A institutional investors and other Class B members is established through a LLC operating agreement. That operating agreement contains rules by which the cash flows and tax benefits, including Production Tax Credits (PTCs) and accelerated depreciation, generated by the wind farms are allocated between the Class A and Class B members during the life of the wind farms.

The Class A institutional investors purchase their partnership interests for an upfront cash payment. This payment is fixed so that the investors, from the date that they purchase their interest, anticipate earning an agreed targeted internal rate of return by the end of the ten-year period over which PTCs are generated. This anticipated return is computed based on the total anticipated benefit that the institutional investors will receive and includes the value of PTCs, allocated taxable income or loss and cash distributions.

Pursuant to the allocation rules specified in the LLC operating agreement, all operating cash flow is allocated to the Class B members until the earlier of a fixed date, or when the Class B members recover the amount of invested Class B capital. This is expected to occur between five to ten years from the initial closing date. Thereafter, all operating cash flow is allocated to the Class A institutional investors until they receive the targeted internal rate of return (the 'Reallocation Date').

Prior to the Reallocation Date, a significant part of the tax income and benefits generated by the partnerships are allocated to the Class A institutional investors, with any remaining benefits allocated to the Class B members.

After the Reallocation Date, the Class A institutional investors retain a non-controlling interest for the duration of their membership in the LLC. The Group also has an option to purchase the Class A institutional investors' residual interests at fair market value.

Recognition of institutional equity partnerships

The Group either controls or jointly controls the strategic and operating decisions of institutional equity partnerships. Notes 29 and 36 provide further details of controlled and jointly controlled partnerships.

Classification of institutional equity partnerships

Class A institutional investors' and Class B members' investments in institutional equity partnership structures are classified as liabilities in the financial statements of the Group as the partnerships have limited lives and the allocation of income earned is governed by contractual agreements over the life of the investment. The following should be noted:

- Should future operational revenues from the US wind farms be insufficient, there is no contractual obligation on the Group to repay the liabilities.
- Balances outstanding (Class A institutional investors and Class B non-controlling members) do not impact the Group's lending covenants.
- There is no exit mechanism by which investors can require repayment of their remaining capital and consequently there is no re-financing risk for the IEPs.

Institutional equity partnerships classified as liabilities (continued)

The following table includes the components of institutional equity partnerships classified as liabilities: Class A member liabilities; non-controlling interests relating to Class B members and deferred revenue.

	Class A members		Class B members		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Components of institutional equity partnerships:						
At 1 July	645,965	879,164	54,451	82,445	700,416	961,609
Distributions / financing	(15,228)	(1,207)	(12,392)	(16,439)	(27,620)	(17,646)
Value of production tax credits offset against Class A liability	(78,519)	(81,939)	-	-	(78,519)	(81,939)
Value of tax losses offset against Class A liability ¹	(1,279)	(14,936)	-	-	(1,279)	(14,936)
Allocation of return on outstanding Class A liability	42,830	46,950	-	-	42,830	46,950
Movement in residual interest (Class A)	8,924	(6,317)	-	-	8,924	(6,317)
Non-controlling interest (Class B)	-	-	7,426	4,591	7,426	4,591
Foreign exchange loss / (gain)	29,616	(175,750)	2,572	(16,146)	32,188	(191,896)
At 30 June	632,309	645,965	52,057	54,451	684,366	700,416
Deferred revenue:						
At 1 July					436,560	507,671
Benefits deferred during the period					16,244	35,237
Foreign exchange loss / (gain)					19,963	(106,348)
At 30 June					472,767	436,560
					1,157,133	1,136,976
¹ This comprises the following tax-effected components:						
Total taxable income before accelerated tax depreciation					41,407	47,761
Accelerated tax depreciation					(42,686)	(62,697)
Value of tax losses offset against Class A liability					(1,279)	(14,936)

20. Contributed equity

	2012 No. '000	2012 \$'000	2011 No. '000	2011 \$'000
Fully paid stapled securities/shares				
Opening balance	762,266	761,642	760,374	783,545
Issue of securities - Distribution reinvestment plan (i)	-	-	1,892	981
Capital distribution	-	-	-	(22,884)
Closing balance	762,266	761,642	762,266	761,642

	2012 \$'000	2011 \$'000
Attributable to:		
Equity holders of the parent	2,305	2,305
Equity holders of the other stapled securities (non-controlling interests)	759,337	759,337
	761,642	761,642

Stapled securities entitle the holder to participate in dividends from IEL and IEBL and in distributions from IET. The holder is entitled to participate in the proceeds on winding up of the stapled entities in proportion to the number of and amounts paid on the securities held.

(i) Distribution reinvestment plan

Prior to 14 June 2011, Infigen operated a distribution reinvestment plan (DRP) under which holders of stapled securities may have elected to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by being paid in cash. The stapled securities issued under the DRP were allotted based on the weighted average 'market price' for Infigen stapled securities sold on the ASX over the 10 trading days ending on the trading day which was three trading days before the date that the securities were to be allotted under the DRP (DRP Price).

21. Reserves

	2012 \$'000	2011 \$'000
Foreign currency translation	(50,472)	(60,994)
Hedging	(151,064)	(82,545)
Acquisition	(47,675)	(47,675)
Share-based payment	2,705	3,774
	(246,506)	(187,440)
Attributable to:		
Equity holders of the parent	(246,506)	(187,440)
Equity holders of the other stapled securities (non-controlling interests)	-	-
	(246,506)	(187,440)

a) Foreign currency translation reserve

	2012 \$'000	2011 \$'000
Balance at beginning of financial year	(60,994)	(15,477)
Movements increasing / (decreasing) recognised:		
Translation of foreign operations	10,522	(48,069)
Disposal of foreign operations	-	2,552
	10,522	(45,517)
Balance at end of financial year	(50,472)	(60,994)

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(m). The reserve is recognised in profit and loss when the net investment is disposed of.

b) Hedging reserve

	2012 \$'000	2011 \$'000
Balance at beginning of financial year	(82,545)	(129,188)
Movement increasing / (decreasing) recognised:		
Interest rate swaps	(84,117)	58,552
Deferred tax arising on hedges	15,598	(11,909)
	(68,519)	46,643
Balance at end of financial year	(151,064)	(82,545)

The hedging reserve is used to record movements on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(j). Amounts are recognised in profit and loss when the associated hedged transaction settles.

Reserves (continued)

c) Acquisition reserve

	2012 \$'000	2011 \$'000
Balance at beginning and end of financial year	(47,675)	(47,675)
Balance at end of financial year	(47,675)	(47,675)

The acquisition reserve relates to the acquisition of non-controlling interests in entities over which Infigen Energy already exerted control. Therefore, the acquisition of these non-controlling interests did not result in a change of control but was an acquisition of the minority shareholders.

These transactions are treated as transactions between owners of the Group. The difference between the purchase consideration and the amount by which the non-controlling interest is adjusted, has been recognised in the acquisition reserve.

d) Share-based payment reserve

	2012 \$'000	2011 \$'000
Balance at beginning of financial year	3,774	3,155
Share-based payments expense ¹ / (benefit)	(1,069)	619
Balance at end of financial year	2,705	3,774

¹ The share-based payments reserve is used to recognise the fair value of performance rights/units and options issued to employees but not exercised. Refer Note 25 for further detail.

22. Retained earnings

	2012 \$'000	2011 \$'000
Balance at beginning of financial year	66,574	127,568
Net loss attributable to stapled security holders	(55,877)	(60,994)
Balance at end of financial year	10,697	66,574
Attributable to:		
Equity holders of the parent	31,825	87,020
Equity holders of the other stapled securities (non-controlling interests)	(21,128)	(20,446)
	10,697	66,574

23. Earnings per security / share

a) Basic and diluted earnings per stapled security / parent entity share:

Parent entity share

From continuing operations

From discontinued operations

Total basic and diluted earnings per share¹

Stapled security

From continuing operations

From discontinued operations

Total basic and diluted earnings per security¹

	2012 Cents per security	2011 Cents per security
	(7.2)	(3.3)
	-	(4.6)
	(7.2)	(7.9)
	(7.3)	(3.4)
	-	(4.6)
	(7.3)	(8.0)

¹ The number of options outstanding have not been included in the calculation of diluted EPS as they are anti-dilutive. Refer to Note 25 for the number of options outstanding.

b) Reconciliation of earnings used in calculating earnings per security / share

The earnings and weighted average number of securities / shares used in the calculation of basic and diluted earnings per security / share are as follows:

Earnings attributable to the parent entity shareholders

From continuing operations

From discontinued operations

Total earnings attributable to the parent entity shareholders

Earnings attributable to the stapled security holders

From continuing operations

From discontinued operations

Total earnings attributable to the stapled security holders

	2012 \$'000	2011 \$'000
	(55,195)	(25,105)
	-	(34,985)
	(55,195)	(60,090)
	(55,877)	(26,009)
	-	(34,985)
	(55,877)	(60,994)

c) Weighted average number of shares used as the denominator

Weighted average number of securities/ shares for the purposes of basic earnings per security / share

Weighted average number of securities/ shares for the purposes of diluted earnings per security / share

	2012 No.'000	2011 No.'000
	762,266	761,341
	762,266	761,341



24. Distributions paid

	2012		2011	
	Cents per security	Total \$'000s	Cents per security	Total \$'000s
Recognised amounts				
Ordinary securities				
Final distribution in respect of 2011 year of nil cents per stapled security (2010: 2.0 cents paid in September 2010, 100% tax deferred).	-	-	2.0	15,272
Interim distribution in respect of 2012 year of nil cents per stapled security (2011: 1.0 cents paid in March 2011, 100% tax deferred).	-	-	1.0	7,612
				22,884
Distributions paid in cash or satisfied by the issue of new stapled securities under the Distribution Reinvestment Plan during the year ended 30 June 2012 and the year ended 30 June 2011 were as follows:				
Paid in cash		-		21,903
Satisfied by the issue of stapled securities		-		981
		-		22,884

On 14 June 2011, Infigen announced that it has suspended distributions for years ending 30 June 2012 and 30 June 2013.

On 14 June 2011, the Directors of Infigen declared the total distribution for the financial year ended 30 June 2011 to be 1.0 cent per stapled security being the amount declared for the interim distribution and paid on 17 March 2011. Of the \$15,272,000 final distribution in respect of 2010, \$627,000 (4.1%) of distributions were settled through the issue of stapled securities under the Distribution Reinvestment Plan. Of the \$7,612,000 interim distribution in respect of 2011, \$354,000 (4.65%) of distributions were settled through the issue of stapled securities under the Distribution Reinvestment Plan.

The parent entity has franking credits of \$6,228,093 for the year ended 30 June 2012 (2011: \$6,228,093).

25. Share-based payments

a) Employee equity plan (formerly known as the performance rights, performance units and options plan)

Equity Plan arrangements for the FY09, FY10, FY11 and FY12 grants

Senior Managers have received a long-term incentive award under the Infigen Energy Equity Plan ("Equity plan") that encompass:

- the Senior Manager's long-term incentive opportunity for FY09;
- the Senior Manager's long-term incentive award for FY10;
- the Senior Manager's long-term incentive award for FY11; and
- the Senior Manager's long-term incentive award for FY12.

Performance conditions of awards granted under the Equity Plan

- The FY09 plan participants received 50% of their award in the form of performance rights/units and 50% in the form of options awarded to participants in two tranches of equal value (Tranche 1 and Tranche 2).
- In FY10 and FY11 plan participants received 100% performance rights or units in two tranches of equal value (**Tranche 1** and **Tranche 2**).
- In FY12 plan participants received 100% performance rights or units in two tranches of equal value (**Tranche 1** and **Tranche 2**).

The measures used to determine performance and the subsequent vesting of performance rights/units and options are Total Shareholder Return (TSR) and a financial performance test. The vesting of Tranche 1 of the performance rights/units and Tranche 1 of the options is subject to the TSR condition, while Tranche 2 of the performance rights/units and Tranche 2 of the options is subject to an Operational Performance condition. The Operational Performance condition is determined by an earnings before interest, taxes, depreciation and amortisation (EBITDA) test.

Shared based payments (continued)

		Performance rights	Performance units	Options	Period
2009	Tranche 1	TSR condition	N/A	TSR condition	01 January 2009 -31 December 2011
	Tranche 2	Operational Performance condition	N/A	Operational Performance condition	1 July 2008 –30 June 2011*
2010	Tranche 1	TSR condition	N/A	N/A	30 September 2010 - 30 June 2012
	Tranche 2	Operational Performance condition	N/A	N/A	30 September 2010 - 30 June 2012
2011	Tranche 1	TSR condition	TSR condition	N/A	30 September 2010 - 30 June 2013
	Tranche 2	Operational Performance condition	Operational Performance condition	N/A	30 September 2010 - 30 June 2013
2012	Tranche 1	TSR condition	TSR condition	N/A	01 July 2011 - 30 June 2014
	Tranche 2	Operational Performance condition	Operational Performance condition	N/A	01 July 2011 - 30 June 2014

* Subject to re-testing at 31 December 2012. Based on current information, vesting conditions are not expected to be met.

- TSR condition (applicable to Tranche 1 performance rights or units and Tranche 1 options): TSR measures the growth in the price of securities plus cash distributions notionally reinvested in securities. In order for the Tranche 1 performance rights and the Tranche 1 options to vest, the TSR of Infigen will be compared to companies in the S&P/ASX 200 (excluding financial services and the materials/resources sectors). For the purpose of calculating the TSR measurement, the security prices of each company in the S&P/ASX 200 (as modified above) and of Infigen will be averaged over the 30 trading days preceding the start and end date of the performance period.

Shared based payments (continued)

The percentage of the Tranche 1 performance rights or units and Tranche 1 options that vest are as follows:

Infigen's TSR performance compared to the relevant peer group	% of 2009, 2010 & 2011 Tranche 1 performance rights/units and Tranche 1 options to vest	% of 2012 Tranche 1 performance rights/units to vest
0 to 49th percentile	Nil	Nil
50th percentile	50% -98% of the Tranche 1 Performance Rights will vest	25% of the Tranche 1 Performance Rights will vest
51st 75th percentile	(i.e. for every percentile increase between 50% and 74% an additional 2% of the Tranche 1 Performance Rights will vest)	27% - 75% (i.e. for every percentile increase between 51% and 75% an additional 2% of the Tranche 1 Performance Rights will vest)
76th to 95th percentile	100%	76.25% - 100% (i.e. for every percentile increase between 76% and 95% an additional 1.25% of the Tranche 1 Performance Rights will vest)
96th to 100th percentile	100%	76.25% - 100% (i.e. for every percentile increase between 76% and 95% an additional 1.25% of the Tranche 1 Performance Rights will vest)

Operational Performance condition (applicable to Tranche 2 performance rights/units and Tranche 2 options): the vesting of the Tranche 2 performance rights or units and Tranche 2 options is subject to an Operational Performance condition.

The Operational Performance condition will test the multiple of EBITDA to Capital Base, with the annual target being a specified percentage increase in the multiple over the year. The Capital Base will be measured as equity (net assets) plus net debt. Both the EBITDA and Capital Base will be measured on a proportionately consolidated basis to reflect Infigen's economic interest in all investments.

Shared based payments (continued)

Set out below are summaries of **performance rights** and **options** that have been granted under the plan:

Deemed grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year
Performance rights							
27 Mar 2009 (FY09 plan)	N/A	N/A	2,354,058	-	(1,177,029)	1,177,029	-
30 Sept 2010 (FY10 plan)	N/A	N/A	209,118	-	-	209,118	-
30 Sept 2010 (FY11 plan)	N/A	N/A	2,004,806	-	(61,634)	1,943,172	-
22 Dec 2011 (FY12 plan)	N/A	N/A	-	2,608,098	-	2,608,098	-
Total			4,567,982	2,608,098	(1,238,663)	5,937,417	-
Performance units							
29 June 2011 (FY11 plan)	N/A	N/A	126,866	-	-	126,866	-
Total			126,866	-	-	126,866	-
Options							
27 Mar 2009 (FY09 plan)	31 Dec 2013	\$0.897	10,690,027	-	(5,345,013)	5,345,014	-
Total			10,690,027	-	(5,345,013)	5,345,014	-
Weighted average exercise price			\$0.897	-	\$0.897	\$0.897	-

Fair value of performance rights and options granted

		Grant date	Performance rights	Performance units	Options
2009	Tranche 1	27 March 2009	0.543	N/A	0.207
	Tranche 2	27 March 2009	0.708	N/A	0.211
2010	Tranche 1	30 September 2010	0.439	N/A	N/A
	Tranche 2	30 September 2010	0.696	N/A	N/A
2011	Tranche 1	30 September 2010/29 June 2011	0.439	0.19	N/A
	Tranche 2	30 September 2010/29 June 2011	0.696	0.23	N/A
2012	Tranche 1	22 December 2011	0.091	N/A	N/A
	Tranche 2	22 December 2011	0.255	N/A	N/A

The fair values of performance rights, performance units and options at grant date are determined using market prices and a model that takes into account the exercise price, the term of the performance right, unit or option,

Shared based payments (continued)

the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right or option.

The model inputs for performance rights, performance units and options granted include:

- Performance rights/units and options are granted for no consideration and vest in accordance with the TSR condition and the Operational Performance condition outlined above for Tranche 1 and Tranche 2, respectively. Performance rights/units have a nil exercise price and vest automatically as stapled securities for rights and as cash for units. Vested options are exercisable until 31 December 2013.
- *Exercise price for options:* \$0.897
- *Grant dates:* 27 March 2009 (FY09 plan), 30 September 2010 (FY10 plan), 30 September 2010 (FY11 rights plan) ; 29 June 2011 (FY11 unit plan); 22 December 2011 (FY12 plan)
- *Expiry date of options:* 31 December 2013
- *Security price at grant date:* \$0.86 (FY09 plan), \$0.735 (FY10 plan), \$0.735 (FY11 rights plan), \$0.35 (FY11 unit plan), \$0.255 (FY12 plan)
- *Expected price volatility of the company's stapled securities:* 49% (FY09 plan), 42% (FY10 plan), 42% (FY11 plan), 81% (FY12 plan)
- *Expected dividend yield:* 8.6% (FY09 plan), 2.0% (FY10 plan), 2.0% (FY11 rights plan), 0% (FY11 unit plan), 0% (FY12 plan)
- *Risk-free interest rate:* 3.96% (FY09 plan), 4.79% (FY10 plan), 4.79% (FY11 rights/unit plans), 3.91% (FY12 plan)

Where performance rights, performance units and options are issued to employees of subsidiaries within the Group, the expense in relation to these performance rights, performance units and options is recognised by the relevant entity with the corresponding increase in stapled securities.

b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2012 \$'000	2011 \$'000
Performance rights, units and options issued (net of lapsed awards) under the plans – current year	807	619
Write-back prior years long-term share-based incentive expense allocation	(1,961)	-
	(1,154)	619

In addition to the amounts above, it is expected that a further \$1,045,625 of expenses relating to short-term incentives will be settled in the form of share-based payments at the end of a deferral period.

26. Commitments for expenditure

a) Capital expenditure commitments

	2012 \$'000	2011 \$'000
Capital expenditure commitments	1,690	21,569

Capital expenditure commitments in year ended 30 June 2012 include commitment arrangements relating to IT projects and solar energy projects. Capital expenditure commitments in the year ended 30 June 2011 related to the construction of wind farms.

b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 28 to the financial statements.

27. Contingent liabilities

Contingent liabilities

	2012 \$'000	2011 \$'000
Letters of credit	42,151	49,789
	42,151	49,789

Letters of credit generally relate to wind farm construction, operations and decommissioning and represent the maximum exposure. No liability was recognised by the parent entity of the Group in relation to these letters of credit, as their combined fair value is immaterial.

Kumeyaay dispute

Kumeyaay Wind LLC ("Kumeyaay") has a long running dispute with Gamesa Wind U.S., LLC ("Gamesa") regarding liability to pay for site repairs and the replacement of all 75 turbine blades at the Kumeyaay wind farm in California following a storm event and utility power outage in December 2009. The Group owns 100% of the Class B interests in Kumeyaay.

Since December 2009, Kumeyaay has maintained a firm position that these repair costs and the associated production losses are matters covered by Gamesa's turbine manufacturer's warranty or, if not, then by Kumeyaay's property damage and business interruption insurance.

Gamesa and Kumeyaay are currently engaged in legal proceedings against each other to determine liability to pay for the repair work and the associated production losses.

Gamesa's claim against Kumeyaay totals approximately US\$34.5 million in respect of that repair work. Kumeyaay is contesting Gamesa's claim vigorously and denies that it has any liability to pay for the repair work. If it is ultimately determined that the repairs undertaken by Gamesa at the Kumeyaay wind farm are not covered by Gamesa's warranties, then Kumeyaay will pursue its insurer for the costs of any such non-warranty repairs and the lost production. No recognition has been made in the financial statements in respect of the claim by Gamesa as the Directors consider the likelihood of loss arising from the claim to be remote.

Kumeyaay is also pursuing other warranty related claims against Gamesa totalling approximately US\$10.3 million in the same proceedings. The Directors are of the opinion that it is premature to recognise any amounts in relation to these claims in the financial statements.

Contingent liabilities (continued)

The disputes are being adjudicated in Pennsylvania state court under the case name: *Gamesa Wind U.S., LLC vs. Kumeyaay Wind LLC, et al.*, Court of Common Pleas of Bucks County, Pennsylvania (Case No. 2011-09405).

Allegheny, GSG, Bear Creek and Mendota Hills disputes

The Group has Class B interests in the following companies ("US Project Companies"):

Name of entity	Class B Ownership
Allegheny Ridge Wind Farm LLC	100%
Wind Park Bear Creek LLC	59.3%
GSG LLC	100%
Mendota Hills LLC	100%

The US Project Companies and Gamesa are currently engaged in legal proceedings against each other in relation to various disputes. Further details of these disputes are set out below. These disputes are being adjudicated in the same court proceedings as the Kumeyaay dispute, namely, *Gamesa Wind U.S., LLC vs. Kumeyaay Wind LLC, et al.*, Court of Common Pleas of Bucks County, Pennsylvania (Case No. 2011-09405).

In these proceedings, the US Project Companies utilising Gamesa turbines at the Allegheny, GSG, Bear Creek and Mendota Hills wind farms have filed claims against Gamesa over, amongst other things, Gamesa's failure to (i) complete certain end of warranty work, (ii) pay certain liquidated damages associated with turbine availability warranties, and (iii) pay for certain production losses associated with the end of warranty work. These claims total approximately US\$17.6 million. Allegheny Ridge Wind Farm LLC has also filed claims against Gamesa and certain of its related entities totalling approximately US\$1.0 million in relation to certain matters associated with the development and construction of the Allegheny wind farm. Gamesa has filed its own claims against those four US Project Companies totalling approximately US\$1.9 million.

In addition, the US Project Companies that own the Allegheny, GSG and Bear Creek wind farms consider that the blades on Gamesa's G87 turbines at these wind farms suffer from design and manufacturing defects which render those blades susceptible to failure potentially well in advance of their specified design life. These US Project Companies are seeking compensation of approximately US\$119 million from Gamesa for the cost of replacing those turbine blades.

If these blade defect claims are successful then the Allegheny, GSG and Bear Creek wind farms will not be faced with the probable costs of premature blade replacement from this cause. The future cost of blade failures at Allegheny, GSG and Bear Creek will otherwise depend on future failure rates and timing, blade and rotor replacement costs, and the cost of lost production.

Disposal of businesses

Under the sale agreements relating to the disposal of the Group's previously owned Spanish, Portuguese, French and German assets, the Group has provided certain warranties and indemnities in favour of the buyers of those assets. No claims have been made by the relevant buyers under these warranties and indemnities.

Under the sale agreements relating to the disposal of the Group's interests in certain development projects and entities to National Power Partners ("NPP") in March 2011, the Group has provided certain warranties and indemnities in favour of the buyers of those assets. No claims have been made under these warranties and indemnities.

Contingent liabilities (continued)

Deed of Cross Guarantee

Under the terms of ASIC Class Order 98/1418 (as amended by Class Order 98/2017) certain wholly-owned controlled entities have been granted relief from the requirement to prepare audited financial reports. Infigen Energy Limited has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities (refer to note 30).

28. Leases

Operating leases

The Group leases land for its wind farms under non-cancellable operating leases expiring within 20 to 55 years. The leases have varying terms, escalation clauses and renewal rights.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Not later than 1 year

Later than 1 year and not later than 5 years

Later than 5 years

	2012 \$'000	2011 \$'000
	8,010	8,382
	31,114	29,988
	124,473	123,835
	163,597	162,205

29. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2012 %	2011 %
Parent entity			
* Infigen Energy Limited	Australia		
Other stapled entities			
Infigen Energy (Bermuda) Limited	Bermuda		
Infigen Energy Trust	Australia		
Subsidiaries of the parent and other stapled entities			
Allegheny Ridge Wind Farm LLC	USA	100%	100%
Aragonne Wind LLC	USA	100%	100%
Aragonne Wind Investments LLC	USA	100%	100%
Bodangora Wind Farm Pty Ltd	Australia	100%	100%
Blue Canyon 1 Member LLC	USA	100%	100%
Buena Vista Energy LLC	USA	100%	100%
* Capital East Solar Pty Limited	Australia	100%	-
* Capital Wind Farm 2 Pty Limited	Australia	100%	100%
*# Capital Wind Farm Holdings Pty Limited	Australia	100%	100%
* Capital Wind Farm (BB) Trust	Australia	100%	100%

Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest	
		2012 %	2011 %
Caprock Wind LLC	USA	100% ¹	100% ¹
Caprock Wind Investments LLC	USA	100%	100%
Caprock Wind Member LLC	USA	100%	100%
CCWE Holdings LLC	USA	67% ¹	67% ¹
Cedar Creek Wind Energy LLC	USA	67%	67% ¹
Cedar Creek Wind 1 Member LLC	USA	100%	100%
Cherry Tree Wind Farm Pty Ltd	Australia	100%	100%
Combine Hills 1 Member LLC	USA	100%	100%
Crescent Ridge Holdings LLC	USA	75% ¹	75% ¹
Crescent Ridge LLC	USA	75%	75% ¹
* CS CWF Trust	Australia	100%	100%
CS Walkaway Trust	Australia	100%	100%
* Flyers Creek Wind Farm Pty Ltd	Australia	100%	100%
* Forsyth Wind Farm Pty Limited	Australia	100%	100%
GSG LLC	USA	100%	100%
IFN Crescent Ridge LLC	USA	100%	100%
Infigen Energy Management Holdings LLC	USA	100%	100%
* Infigen Energy Europe Pty Limited	Australia	100%	100%
* Infigen Energy Europe 2 Pty Limited	Australia	100%	100%
* Infigen Energy Europe 3 Pty Limited	Australia	100%	100%
* Infigen Energy Europe 4 Pty Limited	Australia	100%	100%
* Infigen Energy Europe 5 Pty Limited	Australia	100%	100%
* Infigen Energy Germany Holdings Pty Limited	Australia	100%	100%
* Infigen Energy Germany Holdings 2 Pty Limited	Australia	100%	100%
* Infigen Energy Germany Holdings 3 Pty Limited	Australia	100%	100%
Infigen Energy Verwaltungs GmbH	Germany	100%	100%
^ Infigen Energy (Niederrhein) Limited	UK	100%	100%
^ Infigen Energy (Eifel) Ltd	UK	100%	100%
Infigen Energy GmbH	Germany	100%	100%
Infigen Energy Holdings Sarl	Luxembourg	100%	100%
Infigen Energy Germany Holdings Sarl	Luxembourg	100%	100%
Infigen Energy Vest Holdings Sarl	Luxembourg	100%	100%
^ Infigen Energy Gesa Holdings Sarl	Luxembourg	100%	100%
^ Infigen Energy Nor Holdings Sarl	Luxembourg	100%	100%
Infigen Energy US LLC	USA	100%	100%
* Infigen Energy T Services Pty Limited	Australia	100%	100%
* Infigen Energy Custodian Services Pty Limited	Australia	100%	100%
* Infigen Energy Development Holdings Pty Limited	Australia	100%	100%
* Infigen Energy Development Pty Ltd	Australia	100%	100%
* Infigen Energy Services Holdings Pty Limited	Australia	100%	100%
* Infigen Energy Services Pty Limited	Australia	100%	100%
* Infigen Energy RE Limited	Australia	100%	100%
* Infigen Energy Investments Pty Limited	Australia	100%	100%
* Infigen Energy Markets Pty Limited	Australia	100%	100%
* Infigen Energy US Partnership	USA	100%	100%

Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest	
		2012 %	2011 %
Infigen Energy US Corporation	USA	100%	100%
* Infigen Energy (US) Pty Limited	Australia	100%	100%
* Infigen Energy (US) 2 Pty Limited	Australia	100%	100%
* Infigen Energy Finance (Australia) Pty Limited	Australia	100%	100%
* Infigen Energy Finance (Germany) Pty Limited	Australia	100%	100%
Infigen Energy Finance (Lux) SARL	Luxembourg	100%	100%
Infigen Energy (Malta) Limited	Malta	100%	100%
* Infigen Energy Holdings Pty Limited	Australia	100%	100%
* Infigen Energy Niederrhein Pty Limited	Australia	100%	100%
Infigen Asset Management LLC	USA	100%	100%
Infigen Management Services LLC	USA	100%	100%
Kumeyaay Holdings LLC	USA	100% ¹	100% ¹
Kumeyaay Wind LLC	USA	100%	100%
Kumeyaay Wind Member LLC	USA	100%	100%
* Lake Bonney Wind Power Pty Limited	Australia	100%	100%
* Lake Bonney Wind Power 2 Pty Limited	Australia	100%	100%
* Lake Bonney Wind Power 3 Pty Limited	Australia	100%	100%
*# Lake Bonney Holdings Pty Limited	Australia	100%	100%
* Lake Bonney 2 Holdings Pty Limited	Australia	100%	100%
Mendota Hills LLC	USA	100%	100%
* NPP LB2 LLC	USA	100%	100%
* NPP Projects I LLC	USA	100%	100%
* NPP Projects V LLC	USA	100%	100%
* NPP Walkaway Pty Limited	Australia	100%	100%
* NPP Walkaway Trust	Australia	100%	100%
*# Renewable Power Ventures Pty Ltd	Australia	100%	100%
RPV Investment Trust	Australia	100%	100%
Sweetwater 1 Member LLC	USA	100%	100%
Sweetwater 2 Member LLC	USA	100%	100%
Sweetwater 3 Member LLC	USA	100%	100%
Sweetwater 4-5 Member LLC	USA	100%	100%
*# Walkaway Wind Power Pty Limited	Australia	100%	100%
* Walkaway (BB) Pty Limited	Australia	100%	100%
Walkaway (BB) Trust	Australia	100%	100%
* Walkaway (OS) Pty Limited	Australia	100%	100%
Woakwine Wind Farm Pty Ltd	Australia	100%	100%
Wind Park Jersey Member LLC	USA	100%	100%
Wind Portfolio I Member LLC	USA	100%	100%
Wind Portfolio Holdings I LLC	USA	100% ¹	100% ¹
* Woodlawn Wind Holdings Pty Limited	Australia	100%	100%
* Woodlawn Wind Pty Ltd	Australia	100%	100%
*# WWP Holdings Pty Limited	Australia	100%	100%
BBWP Holdings (Bermuda) Limited	Bermuda	100%	100%
* Infigen Energy US Holdings Pty Limited	Australia	100%	-



Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest	
		2012 %	2011 %
Infigen Energy US Development LLC	USA	100%	-
Infigen Energy Solar One LLC	USA	100%	-
Pumpjack Solar I LLC	USA	100% ²	-
Wildwood Solar I LLC	USA	100% ²	-
Rio Bravo Solar I LLC	USA	100% ²	-
Limestone Solar I LLC	USA	100% ²	-
Mesquite Solar I LLC	USA	100% ²	-
Wildwood Solar II LLC	USA	100% ²	-
Tortolita Solar I LLC	USA	100% ²	-
Mexia Solar I LLC	USA	100% ²	-
Sandy Hills Solar I LLC	USA	100% ²	-
Mustang Solar I LLC	USA	100% ²	-

* Denotes a member of the IEL tax consolidated group.

¹ Class B Member interest.

² Equity member interest.

Entered into a class order 98/1418 and related deed of cross guarantee with Infigen Energy Limited removing the requirement for the preparation of separate financial statements (refer note 30).

^ Placed into voluntary liquidation during 2012.

30. Deed of cross guarantee

Set out below is a consolidated statement of comprehensive income statement and balance sheet, comprising the company and its controlled entities which are parties to the Deed of Cross Guarantee (refer note 29), after eliminating all transactions between parties to the Deed.

The Deed of Cross Guarantee was executed on 18 June 2012, and therefore no comparative information is applicable.

Consolidated statement of comprehensive income

	2012 \$'000
Revenue from continuing operations	62,877
Other income	2,897
Operating expenses	(11,851)
Depreciation and amortisation expense	(23,691)
Interest expense	(26,453)
Other finance costs	(336)
Net profit before income tax	3,443
Income tax expense	(3,319)
Net profit after income tax	124
Net profit for the year	124
Other comprehensive income – movements through equity	
Changes in the fair value of cash flow hedges, net of tax	(46,388)
Exchange difference on translation of foreign operations	43,984
Total comprehensive loss for the year, net of tax	(2,280)

Deed of cross guarantee (continued)

a) Consolidated balance sheet

	2012 \$'000
Current assets	
Trade and other receivables	764,110
Derivative financial asset	3,241
Inventory	469
Total current assets	767,820
Non-current assets	
Receivables	5,337
Shares in controlled entities	95,543
Property, plant and equipment	433,147
Deferred tax assets	39,767
Total non-current assets	573,794
Total assets	1,341,614
Current liabilities	
Trade and other payables	1,324,749
Borrowings	56,000
Derivative financial instruments	6,847
Total current liabilities	1,387,596
Non-current liabilities	
Borrowings	(57,771)
Provisions	702
Total non-current liabilities	(57,069)
Total liabilities	1,330,527
Net assets	11,087
Equity	
Contributed equity	2,305
Reserves	(7,205)
Retained earnings	15,987
Total equity	11,087

31. Acquisition of businesses

Year ended 30 June 2012

(i) Transaction with Pioneer Green Solar

In February 2012, the Group completed a transaction with renewable energy project developer Pioneer Green Solar (Pioneer) in relation to the ownership of certain solar development projects in the United States. Under the terms of the transaction, the Group acquired 100% of the equity interests in a number of solar development projects.

As full consideration for the acquisition of equity interests in the solar development project entities, the Group paid USD650,000 (AUD 606,000) in cash to Pioneer Green Solar in February 2012.

Year ended 30 June 2011

(i) Transaction with National Power Partners

In March 2011, the Group completed a transaction with renewable energy project developer National Power Partners (NPP) in relation to the ownership of certain wind farm development projects in its Australian wind energy development pipeline. Under the terms of the transaction, the Group acquired the remaining 50% interest in the Bodangora (NSW), Flyers Creek (NSW), Cherry Tree (VIC) and Woakwine (SA) development projects which it did not already own.

Each remaining 50% interest in the ordinary shares in the development entities was acquired at a nominal value which represented the fair value of the acquired entity's net assets.

In connection with the acquisition of the ordinary shares for nominal value, the Group acquired development rights of \$7,240,000 relating to the Bodangora, Flyers Creek, Cherry Tree and Woakwine development projects, which was paid for by the assignment of receivables to NPP of \$450,000, offset of loans and payables by NPP to the Group of \$2,447,000, exchange of the Group's interests in the NPP Acquired Projects for \$1,389,000, disposal of development rights in the NPP Acquired Projects for \$1,851,000 and a cash payment of \$1,103,000.

32. Related party disclosures

a) Equity interests in related parties

Details of the percentage ownership held in subsidiaries are disclosed in Note 29 to the financial statements.

b) Key management personnel disclosures

Details of key management personnel remuneration are disclosed in Note 8 to the financial statements.

c) Other related party transactions

At the year end the Group was owed an amount of \$1,348,000 (2011: \$1,218,000) from various associated entities.

The Group received \$nil (2011: \$7,936,000) interest income from German entities which were disposed of on 29 June 2011.

d) Parent entities

The parent entity in the Group is IEL. The ultimate Australian parent entity is IEL. The ultimate parent entity is IEL.

33. Subsequent events

Since the end of the financial year, in the opinion of the directors, there has not been any transaction or event of a material or unusual nature likely to affect significantly the operations or affairs of the Group in future financial periods.

34. Notes to the cash flow statements

a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statements cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash and cash equivalents

	2012 \$'000	2011 \$'000
	126,703	304,875
	-	981
	-	981

b) Non-cash financing and investing activities

Distribution reinvestment plan (Note 24)

c) Restricted cash balances

As at 30 June 2012 \$18,474,457 (2011: \$23,755,291) of cash is held in escrow in relation to payments retained by the Group under turbine supply and wind farm construction contracts, as well as the decommissioning of certain sites.

35. Financial risk management

The Group is exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and electricity price risk), credit risk and liquidity risk.

The principal financial instruments that give rise to these risks comprise cash, receivables, payables and interest bearing debt.

Risk management is carried out by the Group's corporate treasury function under policies approved by the Board. The Group's treasury department identifies, evaluates and hedges certain financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Financial risk management (continued)

The Group's treasury policy provides a framework for managing the financial risks of the Group. The key philosophy of the Group's treasury policy is risk mitigation. The Group's treasury policy specifically does not authorise any form of speculation.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to manage potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge certain risk exposures. In line with the Group's treasury policy derivatives are exclusively used for risk management purposes, not as trading or other speculative instruments.

a) Market risks

(i) Interest rate risks

The Group's income and operating cash flows are exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by fixing a portion of the floating rate borrowings, by use of interest rate derivatives. During 2012 and 2011, the Group's borrowings at variable rates were denominated in Australian Dollars, US Dollars and Euros.

A high percentage of the face value of debt in each of the relevant currencies is hedged using interest rate derivatives. The table below shows a breakdown of the Group's interest rate debt and interest rate derivative positions.

In undertaking this strategy the Group is willing to forgo a percentage of the potential economic benefit that would arise in a falling interest rate environment, in order to partially protect against downside risks of increasing interest rates and to secure a greater level of predictability for cash flows.

Under interest rate derivative contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. The fair values of interest rate derivatives are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate derivative contracts outstanding as at reporting date:

Outstanding pay fixed / receive floating interest rate swaps

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2012 %	2011 %	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Fixed swap – AUD - GF	6.77	6.68	531,685	586,248	(83,594)	(31,895)
Fixed swap – AUD - Woodlawn	4.48	-	42,348	-	(1,111)	-
Fixed swap – Euro - GF	4.93	4.87	98,961	142,432	(20,365)	(16,635)
Fixed swap – US dollar - GF	5.29	5.28	301,210	346,480	(79,237)	(53,139)
			974,204	1,075,160	(184,307)	(101,669)

Financial risk management (continued)

Bank debt as at balance date

The table below details the total amount of debt and breakdown of fixed and floating debt the Group held at 30 June 2012.

The Global Facility debt is denominated in AUD, USD and EUR and the debt is re-priced every 6 months.

- AUD debt is priced using the 6 month BBSW rate plus the defined facility margin.
- EUR debt is priced using the 6 month Euribor rate plus the defined facility margin.
- USD debt is priced using the 6 month Libor rate plus the defined facility margin.

The Woodlawn Project finance debt is re-priced quarterly using the 3 month BBSY (AUD) rate plus the defined facility margin.

The current floating rate debt detailed in the table below is not inclusive of the facility margin. The current average interest rate, pre-margin across all facilities, is 6.15% (2011: 5.61%)

The current average margin across all facilities is 111 basis points (2011: 109 basis points).

Floating rate debt

	Floating debt		Debt principal amount	
	2012 %	2011 %	2012 \$'000	2011 \$'000
AUD debt – GF	3.44	4.96	7,695	36,229
AUD debt – Woodlawn	3.56	4.96	10,171	32,742
EUR debt – GF	0.86	1.32	17,039	38,022
USD debt – GF	0.73	0.19	68,958	81,511
			103,863	188,504

Fixed rate debt

	Fixed debt		Debt principal amount		% of debt hedged	
	2012 %	2011 %	2012 \$'000	2011 \$'000	2012 %	2011 %
AUD debt – GF	6.77	6.68	531,685	586,248	99	89
AUD debt – Woodlawn	4.48	-	42,348	-	81	0
EUR debt – GF	4.93	4.87	98,961	142,432	85	79
USD debt – GF	5.29	5.28	301,210	346,480	81	81
			974,204	1,075,160	90	83
Total debt	6.15	5.61	1,078,067	1,263,664		

Financial risk management (continued)

The table below shows the maturity profile of the interest rate swaps and interest rate caps as of 30 June 2012 and 30 June 2011.

	Fair value	Undiscounted fair value	Up to 12 months	1 to 5 years	After 5 years
	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000
2012					
AUD swaps GF	(83,196)	(94,770)	(17,676)	(51,339)	(25,754)
AUD swap Woodlawn	(1,111)	(1,153)	(225)	(929)	-
EUR swaps GF	(20,365)	(21,156)	(4,084)	(10,361)	(6,710)
USD swaps GF	(79,237)	(82,791)	(14,176)	(47,509)	(21,105)
AUD interest rate caps	579	723	-	297	426
	(183,330)	(199,147)	(36,161)	(109,841)	(53,143)
2011					
AUD swaps GF	(31,895)	(38,023)	(11,052)	(18,873)	(8,098)
EUR swaps GF	(16,635)	(18,059)	(7,333)	(7,459)	(3,267)
USD swaps GF	(53,139)	(55,638)	(17,078)	(32,611)	(5,949)
AUD interest rate caps	1,595	2,175	19	958	1,198
	(100,074)	(109,545)	(35,444)	(57,985)	(16,116)

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the income statement immediately. In the year ended 30 June 2012, a net loss of \$8,675,342 was recorded (2011: \$3,496,988 net gain) and included in finance costs.

Financial risk management (continued)

Sensitivity

The sensitivity to interest rate movement of net result before tax and equity has been determined based on the exposure to interest rates at the reporting date. A sensitivity of 100 basis points has been selected across the 3 currencies to which the Group is exposed to floating rate debt: AUD, EUR, and USD. The 100 basis points sensitivity is reasonable as it is deemed to be flat across the yield curve.

			AUD	AUD	EUR	EUR	USD	USD
			+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
2012								
AUD \$'000								
Effect on income statement								
Cash	AUD	50,722	507	(507)				
	EUR	19,521			195	(13)		
	USD	56,460					564	(67)
		126,703						
Borrowings	AUD	539,380	(53)	53				
	EUR	116,000			(174)	174		
	USD	370,169					(703)	352
Woodlawn	AUD	52,519	(100)	100				
Capitalised loan cost	AUD	(8,854)	-	-				
		1,069,214						
Derivatives – interest rate swaps	AUD	531,685	3,200	(3,200)				
	EUR	98,961			-	-		
	USD	301,210					-	-
Woodlawn	AUD	42,348	-	-				
Derivatives – interest rate cap	AUD	42,348	331	(195)				
Total income statement			3,885	(3,749)	21	161	(139)	285
Effect on hedge reserve								
Derivatives – interest rate swaps	AUD	531,685	11,901	(11,901)				
	EUR	98,961			3,581	(3,581)		
	USD	301,210					11,881	(11,881)
Woodlawn	AUD	42,348	896	(896)				
Total hedge reserve			12,797	(12,797)	3,581	(3,581)	11,881	(11,881)
Total effect on equity			16,682	(16,546)	3,602	(3,420)	11,742	(11,596)

Financial risk management (continued)

			AUD +100 bps	AUD -100 bps	EUR +100 bps	EUR -100 bps	USD +100 bps	USD -100 bps
2011								
AUD \$'000								
Effect on income statement								
Cash	AUD	137,663	1,377	(1,377)				
	EUR	140,594			1,406	(1,406)		
	USD	26,618					266	(266)
		304,875						
Borrowings	AUD	655,219	(690)	690				
	EUR	180,454			(380)	380		
	USD	427,991					(815)	815
Finance lease	EUR	-			-	-		
Capitalised loan cost	AUD	(11,247)	-	-				
		1,252,417						
Derivatives – interest rate swaps	AUD	586,248	3,561	(3,561)				
	EUR	142,432			-	-		
	USD	346,480					-	-
Derivatives – interest rate cap	AUD	44,000	1,068	(1,068)				
Total income statement			5,316	(5,316)	1,026	(1,026)	(549)	549
Effect on hedge reserve								
Derivatives – interest rate swaps	AUD	586,248	26,431	(26,431)				
	EUR	142,432			9,872	(9,872)		
	USD	346,480					22,038	(22,038)
Total hedge reserve			26,431	(26,431)	9,872	(9,872)	22,038	(22,038)
Total effect on equity			31,747	(31,747)	10,898	(10,898)	21,489	(21,489)

The effect on the Group's net result is largely due to the Group's exposure to interest rates on its non-hedged variable rate borrowings. The effect on hedge reserve is due to the effective portion of the change in fair value of derivatives that are designated as cash flow hedges.

Financial risk management (continued)

(ii) Foreign exchange risk

Operational FX risk

The Group has wind farm operations in Australia and the US.

The Group generates AUD and USD revenue from these operations. The Group is exposed to a decline in value of USD versus the AUD, decreasing the value of AUD equivalent revenue from its US wind farm operations.

Equity FX risk

The Group has an investment in its US wind farms that exceeds the value of its external USD debt. The Group is exposed to a decline in value of USD versus the AUD, decreasing the value of AUD equivalent value of its investment in the US wind farms.

EUR debt FX risk

The Group has a residual 93m EUR debt position from its previous investments in Spain, France and Germany. This legacy EUR debt is not offset with any operational EUR assets. The Group is exposed to a decline in value of AUD versus the EUR, increasing the AUD equivalent value of its EUR debt.

The Group has partially hedged this EUR 93m exposure with:

- EUR 30m Covered forward contract – Maturing March 2013
- EUR 15.8m cash holdings as a natural hedge against this debt

The table below splits out the P&L and equity movements of this exposure

	EUR Exposure	Market value – FX Derivatives	FX Gain / Loss Movement FY12	Gain taken to P&L FY12	Gain Equity – Hedge Accounted FY12
	EUR\$'000	AUD\$'000	AUD\$'000	AUD\$'000	AUD\$'000
2012					
EUR GF Debt	(93,356)	-	11,016	11,016	-
EUR FWD FX	30,000	(6,846)	(6,846)	(3,414)	(3,432)
EUR FWD Cover	-	3,242	3,242	3,242	-
Cash	15,780	-	(1,862)	(1,862)	-
	(47,576)	(3,604)	5,550	8,982	(3,432)

Financial risk management (continued)

EUR FX Forward Summary

	EUR Value FX Covered FWD	Maturity	FX Rate at inception	Spot FX Rate	Market Value Financial Asset/Liability
	EUR\$'000		AUD/EUR	AUD/EUR	AUD\$'000
2012					
EUR FX FWD	30,000	March 13	0.7028	0.8079	(6,846)
EUR FWD Cover	-	March 13	0.7395	0.8079	3,241
	30,000				(3,605)

The Group has a multi-currency corporate debt facility and where practicable aims to ensure the majority of its debt and expenses are denominated in the same currency as the associated revenue and investments. The Group's balance sheet exposure to foreign currency risk at the reporting date is shown below. This represents the EUR and USD assets and liabilities the Group holds in AUD functional currency assets.

	2012		2011	
	EUR	USD	EUR	USD
Foreign currency (AUD'000)				
Cash	19,161	40,520	39,669	56,654
Trade receivables	-	-	-	151
Short term intercompany loans	(10,156)	5,383	112,339	421
FX Forward Contracts	37,110	-	-	-
Net investment in foreign operations	18,149	266,440	14,595	214,835
Trade payables	(14)	(295)	(163)	(107)
Bank loans	(92,369)	(37,547)	(142,778)	(41,296)
Total exposure (foreign currency'000)	(28,119)	274,501	23,662	230,658

Sensitivity

The following table details the Group's pre-tax sensitivity to a 10 percent change in the AUD against the USD and the EUR, with all other variables held constant, as at the reporting date, for its unhedged foreign exchange exposure.

A sensitivity of 10 percent has been selected.

Consolidated AUD'000	AUD/EUR	AUD/EUR	AUD/USD	AUD/USD
	+ 10 %	- 10%	+ 10%	- 10%
2012				
Income statement	4,627	(4,627)	(806)	806
Foreign currency translation reserve	(1,814)	1,814	(26,644)	26,644
2011				
Income statement	(907)	907	(1,582)	1,582
Foreign currency translation reserve	(1,459)	1,459	(21,483)	21,483

Financial risk management (continued)

(iii) Electricity and environment certificates (including LGC) price risks

The Group has wind farm operations in Australia and the US and sells electricity and environmental certificates to utility companies, an industrial customer and to wholesale markets in the regions it operates.

The financial risk to the Group is that a decrease in the electricity or environmental certificate price reduces revenue earned.

To mitigate the financial risks of electricity and environmental certificate prices falling, the Group has entered into power purchase agreements and green product purchase agreements to partially contract the sale price of the electricity and environmental certificates it produces.

In undertaking this strategy of contracting a percentage of its electricity and environmental certificate sales, the Group is willing to forgo a percentage of the potential economic benefit that would arise in an increasing electricity and environmental certificate price environment, to protect against downside risks of decreasing electricity and environmental certificate prices; thereby securing a greater level of predictability of cash flows.

Sensitivity

The following table details the Group's pre-tax sensitivity to a 10 percent change in the electricity and environmental certificate price, with all other variables held constant as at the reporting date, for its exposure to the electricity market.

A sensitivity of 10 percent has been selected given the current level of electricity and environmental certificate prices and the volatility observed on an historic basis and market expectations for future movement.

Consolidated

AUD \$'000

2012

Income statement

	Electricity/REC Price +10%	Electricity/REC Price -10%
Income statement	5,110	(5,110)

2011

Income statement

3,735 (3,735)

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposures to customers. The Group's exposure is continuously monitored and the aggregate value of transactions is spread among creditworthy counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Infigen as a wind generator generally sells electricity to large utility companies that operate in the regions Infigen has wind farms. The utility companies are situated in Australia and in many different states of the US. No one utility company or other off take counterparty represents a significant portion of the total accounts receivable balance.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit ratings assigned by international credit-rating agencies at above investment grade. The carrying amount of financial assets, recorded in the financial statements, represents the Group's maximum exposure to credit risk.

Financial risk management (continued)

Consolidated	Within credit terms	Past due but not impaired	Impaired	Description
	\$'000	\$'000	\$'000	
2012				
Bank deposits	125,466	1,237	-	Credit Rating Investment Grade
Trade receivables	29,622	-	-	Spread geographically generally with large utility companies
Other current receivables	1,482	-	-	Sale Settlement period
Amounts due from related parties (associates)	722	627	-	Loan to associated entities
2011				
Bank deposits	304,875		-	Minimum credit rating 'A' grade (S&P)
Trade receivables	31,094	2,812	-	Spread geographically generally with large utility companies
Other current receivables	2,856	-	-	Miscellaneous receivables
Amounts due from related parties (associates)	1,218	-	-	Loan to associated entities

c) Liquidity risks

The Group manages liquidity risks by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The tables below set out the Group's financial assets and financial liabilities at balance sheet date and places them into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The tables include forecast contractual repayments under the Global Facility and the Project Finance Facility. From 1 July 2010 the Global Facility terms provide that net cash flows from the companies included in the Global Facility borrower group be applied to repay amounts outstanding under the Global Facility. Woodlawn Wind Pty Ltd, an excluded company for the purposes of the Global Facility, is the holder of project finance debt.

For interest rate swaps and interest rate caps, the cash flows have been estimated using forward interest rates applicable at the reporting date.

Financial risk management (continued)

	Up to 12 months \$'000	1 to 5 years \$'000	After 5 years \$'000	Total contractual cash flows \$'000
2012				
Global Facility debt	54,466	249,256	721,827	1,025,549
Project finance debt - Woodlawn	1,534	50,985	-	52,519
Interest rate swap payable - GF	35,936	109,209	53,573	198,718
Interest rate swap payable - Woodlawn	1,153	225	929	2,307
Interest rate cap receivable	(723)	-	(297)	(1,020)
Covered Forward FX Contract	3,605	-	-	3,605
Current payables	41,234	-	-	41,234
2011				
Global Facility debt	209,465	295,370	726,087	1,230,922
Project finance debt - Woodlawn	-	10,429	22,313	32,742
Interest rate swap payable	35,463	58,943	17,314	111,720
Interest rate cap receivable	(19)	(958)	(1,198)	(2,175)
Current payables	43,200	-	-	43,200

d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

From 1 July 2009, the Group adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Group's assets and liabilities measured and recognised at fair value at 30 June 2012

Financial risk management (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2012				
Assets				
EUR FX Forward Cover option	-	3,242	-	3,242
Interest rate cap - Woodlawn	-	579	-	579
Total assets	-	3,821	-	3,821
Liabilities				
EUR FX Forward Contract	-	6,846	-	6,846
Interest rate swaps – Global Facility	-	183,196	-	183,196
Interest rate swaps – Woodlawn	-	1,111	-	1,111
Total liabilities	-	191,153	-	191,153

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2011				
Assets				
Interest rate cap	-	1,595	-	1,595
Total assets	-	1,595	-	1,595
Liabilities				
Interest rate swaps	-	101,669	-	101,669
Total liabilities	-	101,669	-	101,669

e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to generate value for securityholders and benefits for other stakeholders and to maintain an appropriate capital structure to minimise the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions or dividends paid to securityholders, return capital to securityholders, buy back existing securities or issue new securities or sell assets.

The capital structure of the Group consists of debt finance facilities as listed in Note 17, and equity, comprising issued capital, reserves and retained earnings as listed in Notes 20, 21 and 22. The Directors review the capital structure, and as part of this review, consider the cost of capital and the risks and rewards associated with each class of capital.

Through the year to 30 June 2012, the Group has had to maintain the following ratio in regard to compliance with its Global Facility:

Leverage ratio – Net Debt / EBITDA¹

The Group has maintained this ratio during and at the end of the year.

¹ Refer to Note 17(i) – Financial Covenants.

36. Interests in joint ventures

Interests in the following institutional equity partnerships in the US are accounted for in the consolidated financial statements as joint venture partnerships and are proportionately consolidated based on Infigen's Class B interest.

Institutional equity partnership	Related wind farms	Class B Interest held by Infigen (30 June 2011 and 30 June 2012)
Sweetwater Wind 1 LLC	Sweetwater 1	50%
Sweetwater Wind 2 LLC	Sweetwater 2	50%
Sweetwater Wind 3 LLC	Sweetwater 3	50%
Blue Canyon Windpower LLC	Blue Canyon	50%
Eurus Combine Hills 1 LLC	Combine Hills	50%
Sweetwater Wind 4-5 Holdings LLC	Sweetwater 4, Sweetwater 5	53%
JB Wind Holdings LLC	Jersey Atlantic, Bear Creek	59.3%

Further information relating to these institutional equity partnerships is set out below:

	2012 \$'000	2011 \$'000
Share of institutional equity partnerships' assets and liabilities		
Current assets	10,442	14,952
Non-current assets	429,100	432,339
Total assets	439,542	447,291
Current liabilities	4,099	6,059
Non-current liabilities	355,702	339,675
Total liabilities	359,801	345,734
Net assets	79,741	101,557
Share of institutional equity partnerships' revenues and expenses		
Revenues	63,799	63,014
Expenses	(69,291)	(49,215)
Profit before tax	(5,492)	13,799

37. Parent entity financial information

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2012 \$'000	2011 \$'000
Current assets	920,531	807,410
Total assets	1,026,648	895,128
Current liabilities	1,014,297	882,116
Total liabilities	1,017,978	882,504
Shareholders' equity		
Issued capital	2,305	2,305
Retained earnings	6,365	10,319
	8,670	12,624
Profit for the year	466	30,023
Total comprehensive income	466	30,023

Due to the stapled structure of IEL, IET and IEBl, the summary financial information of the parent entity shows a net current liability. When combined with the other stapled entities, the parent has positive net current assets and net total assets.

b) Guarantees entered into by the parent entity

IEL has provided a guarantee over a lease in favour of American Fund US Investments LP in relation to its Dallas office which was executed on 26 June 2009. A performance guarantee dated 31 March 2010 has also been provided by IEL in relation to a contract to supply energy. Fair value of these guarantees are immaterial

c) Contingent liabilities of the parent entity

Disposal of businesses

Under the sale agreements relating to the disposal of the Group's previously owned Spanish, Portuguese, French and German assets, the parent entity has provided certain warranties and indemnities in favour of the buyers of those assets. No claims have been made by the relevant buyers under these warranties and indemnities.

d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2012, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2011 – \$nil).

e) Deed of Cross Guarantee

The parent entity has entered into a Deed of Cross Guarantee with the effect that the company guarantees debts in respect of certain of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in notes 29 and 30.

DIRECTORS' DECLARATION

In the opinion of the Directors of Infigen Energy Limited ('IEL'):

- a) the financial statements and notes set out on pages 26 to 106 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors of IEL:

A handwritten signature in blue ink, appearing to read "F Harris".

F Harris
Director

A handwritten signature in blue ink, appearing to read "M George".

M George
Director

Sydney, 30 August 2012