INFIGEN ENERGY TRUST

Annual Financial Report 2012

TOGETHER WITH THE DIRECTORS' REPORT

ARSN 116 244 118

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CONTENTS

CORPORATE STRUCTURE

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

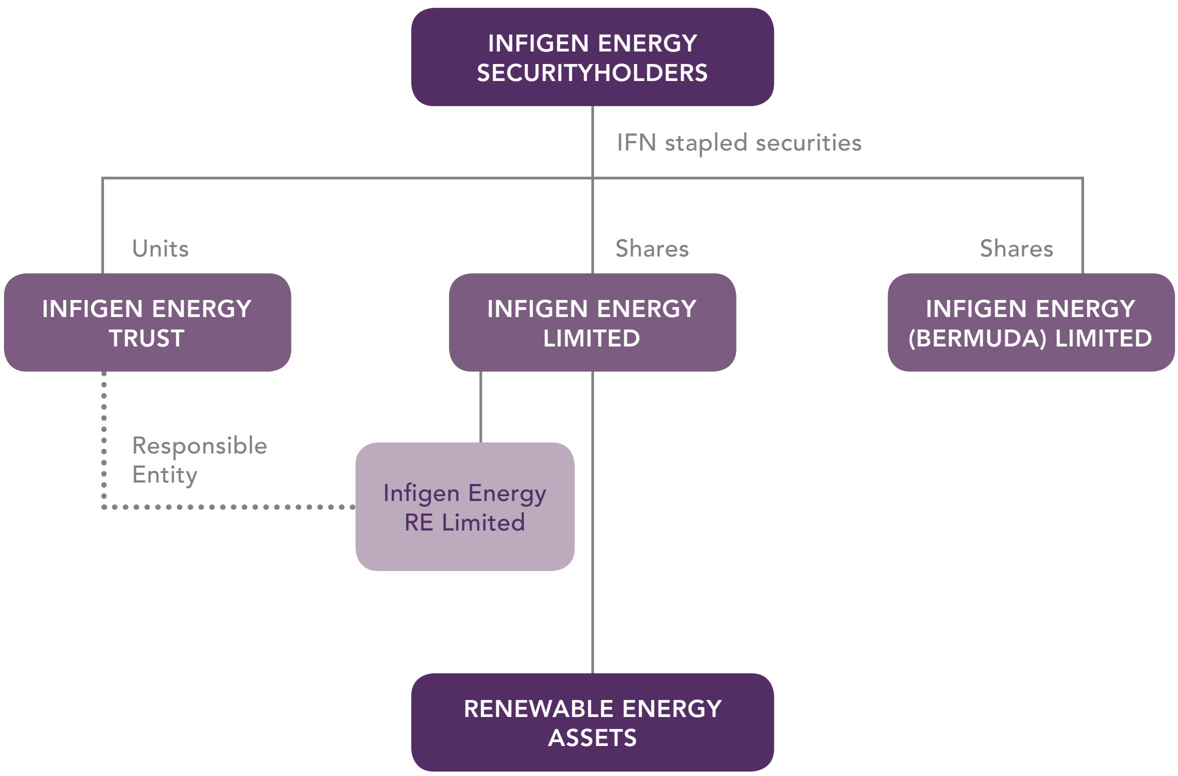
- Infigen Energy Limited (**IEL**), a public company incorporated in Australia;
- Infigen Energy Trust (**IET**), a managed investment scheme registered in Australia;
- Infigen Energy (Bermuda) Limited (**IEBL**), a company incorporated in Bermuda; and
- the subsidiary entities of IEL and IET.

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.



DIRECTORS' REPORT

REPORT OF THE DIRECTORS OF THE RESPONSIBLE ENTITY

In respect of the year ended 30 June 2012, the Directors of Infigen Energy RE Limited (**IERL**), the Responsible Entity of the Infigen Energy Trust (**IET** or the **Trust**), submit the following report on the financial results of IET and its controlled entities.

DIRECTORS

The following people were Directors of IERL 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 IERL on 9 September 2011 and continues as a Director as at the date of this report.

Douglas Clemson retired as a Director of IERL on 11 November 2011.

FURTHER INFORMATION ON DIRECTORS

The particulars of the Directors of IERL at or since the end of the financial year are set out below.

Name	Particulars
Michael Hutchinson **Non-Executive Chairman** *Appointed a Non-Executive Director on 18 June 2009*	Mike was appointed an independent non-executive director in June 2009 and subsequently elected Chairman in November 2010. 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. 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.
Philip Green **Non-Executive Director** *Appointed on 18 November 2010* *Member of the Audit, Risk & Compliance Committee*	Philip was appointed a non-executive director in November 2010. Philip is a member of the Audit, Risk & Compliance Committee. 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. 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.
Fiona Harris **Non-Executive Director** *Appointed on 21 June 2011* *Chairman of the Audit, Risk & Compliance Committee*	Fiona was appointed an independent non-executive director in June 2011. Fiona is Chairman of the Audit, Risk & Compliance Committee. 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. 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. 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.
Ross Rolfe AO **Non-Executive Director** *Appointed on 9 September 2011* *Member of the Audit, Risk & Compliance Committee*	Ross was appointed an independent non-executive director in September 2011. Ross is a member of the Audit, Risk & Compliance Committee. Ross is currently Chairman of WDS Limited and CS Energy Limited. 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. Ross has broad experience in the Australian energy and infrastructure sectors in senior management, government and strategic roles. Ross has previously been Managing Director of Alinta Energy Limited as well as a Director of Thiess Pty Ltd, 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. 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.

Name	Particulars
Miles George **Executive Director** *Appointed on 1 January 2009*	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. 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. 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. 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. Miles holds degrees of Bachelor of Engineering and Master of Business Administration (Distinction) from the University of Melbourne.

DIRECTORS' INTERESTS IN IFN STAPLED SECURITIES

One share in each of Infigen Energy Limited (IEL) and Infigen Energy (Bermuda) Limited (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 Directors of IERL during the financial year as well as showing the relevant interests of those Directors in IFN stapled securities during the financial year.

		IFN STAPLED SECURITIES HELD[1]			
	Role	Balance 1 July 2011	Acquired during the year	Sold during the year	Balance 30 June 2012
Current Directors					
M Hutchinson	Independent Chairman	–	110,000	–	110,000
P Green[2]	Non-Executive Director	–	–	–	–
F Harris	Independent Non-Executive Director	–	100,000	–	100,000
R Rolfe[3]	Independent Non-Executive Director	n/a	–	–	–
M George	Executive Director	500,000	150,000	–	650,000
Former Director					
D Clemson[4]	Independent Non-Executive Director	140,000	–	–	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' REPORT CONTINUED

DIRECTORS' MEETINGS

The number of IERL Board meetings and meetings of the Audit, Risk & Compliance Committee established by the IERL Board held during the year ended 30 June 2012, and the number of meetings attended by each Director, are set out below.

	BOARD MEETINGS		AUDIT, RISK & COMPLIANCE COMMITTEE	
	A	B	A	B
Current Directors				
M Hutchinson	12	12	4	5
P Green	12	12	7	7
F Harris	11	12	7	7
R Rolfe	9	10	3	4
M George	11	12	n/a	n/a
Former Director				
D Clemson	4	4	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 Board delegated authority to a committee of Directors to approve specific matters or documentation on behalf of the Board.

COMPANY SECRETARIES

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

Name	Particulars
David Richardson **Company Secretary** *Appointed 26 October 2005*	David is the Company Secretary of Infigen Energy and is responsible for the company secretarial, risk management, insurances, corporate compliance and internal audit functions. 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. 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.
Catherine Gunning **Alternate Company Secretary** *Appointed 18 June 2009*	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. Catherine also worked in London for private equity house NatWest Equity Partners (now Bridgepoint). 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.

PRINCIPAL ACTIVITIES

During the reporting period, the Infigen Energy Trust held interests in financial investments.

In 2005, the units issued in IET were stapled to the shares issued by IEL and IEBL to form 'stapled securities'. Since 2005, IET has raised the majority of the equity capital for Infigen Energy as part of the issue and listing of stapled securities on the Australian Securities Exchange. IET has also been the stapled entity that has enabled distributions to be paid to securityholders since that time.

DISTRIBUTIONS

On 14 June 2011, Infigen advised that no FY11 final distribution would be paid and that distributions would be suspended for FY12 and FY13.

Further details regarding distributions paid by Infigen are set out in Note 11 to the Financial Statements.

REVIEW OF OPERATIONS

The loss attributable to unitholders of IET for the year to 30 June 2012 was $625,000 compared to a loss of $790,000 for the prior year.

Further specific information relating to the operations of IET for the year ended 30 June 2012 is included in the attached Financial Statements and accompanying Notes.

A review of the operations of the Infigen Energy group and the results of those operations for the year ended 30 June 2012 is included in the Infigen Energy group 2012 Annual Report.

CHANGES IN STATE OF AFFAIRS

On 17 October 2011, Practical Completion occurred on 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.

UNITS ON ISSUE

As at 30 June 2012, IET had 762,265,972 units on issue. There were no changes to the number of units on issue throughout FY12.

TRUST ASSETS

As at 30 June 2012, the Infigen Energy Trust held assets of $742,229,000 (30 June 2011: $741,946,000).

Further details regarding the assets held by IET during the financial year are set out in the Consolidated Statements of Financial Position and relevant Notes to the Financial Statements, including the basis for valuation of the assets as disclosed in Note 1.

INTERESTS OF THE RESPONSIBLE ENTITY

As at 30 June 2012, the responsible entity of IET, Infigen Energy RE Limited, did not hold any units in the Trust.

SUBSEQUENT EVENTS

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

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of IET in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to IET. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATIONS

To the best of the Directors' knowledge, IERL and IET have complied with all significant environmental regulations applicable to Infigen's 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.

DIRECTORS' REPORT CONTINUED

PROCEEDINGS ON BEHALF OF THE TRUST

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

FORMER PARTNERS OF THE AUDIT FIRM

No current Directors or Officers of IERL, as the responsible entity of IET, have been Partners of PricewaterhouseCoopers at a time when that firm has been the auditor of the Infigen Energy group.

AUDITOR'S INDEPENDENCE DECLARATION

IET'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

Pursuant to ASIC Class Order 98/0100, dated 10 July 1998, amounts in the Directors' Report and the Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

REMUNERATION REPORT

Infigen Energy RE Limited is the responsible entity of the Trust and manages the affairs of the Trust. The Trust does not have any Directors or employees. The remuneration details outlined in this Remuneration Report relate to the Directors of IERL.

The basis of fees paid to IERL in its capacity as responsible entity of the Trust is set out in Note 13 to the Financial Statements. Under the Trust's Constitution, IERL is entitled to a management fee of 2% per annum of the value of the gross assets of the Trust. IERL had previously exercised its right under the Constitution of the Trust to waive the fee referred to above such that it is paid a fixed fee per annum, increased for movements in the consumer price index. The Trust incurred an amount of $605,000 in the year ended 30 June 2012 (2011: $591,000) as remuneration paid to the responsible entity.

Remuneration of Non-Executive Directors of the Responsible Entity

IERL, the responsible entity of the Trust, is a subsidiary entity of the Infigen Energy group and no maximum aggregate amount of fees for Non-Executive Directors has been set. 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 which is 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 of IERL during the year ended 30 June 2012 are set out below.

Board/Committee	Role	Fee (pa)
IERL Board	Chairman	$90,000
	Non-Executive Director	$54,000
IERL Audit, Risk & Compliance Committee	Chairman	$6,000
	Member	$3,000

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

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

		Short-term benefits	Post-employment benefits	
	Year	Fees $	Super-annuation $	Total $
Non-Executive Directors				
M Hutchinson	2012	84,628	7,616	92,244
	2011	73,106	6,579	79,685
P Green[1]	2012	–	–	–
	2011	–	–	–
F Harris[2]	2012	54,044	4,863	58,907
	2011	1,433	129	1,562
R Rolfe[3]	2012	42,046	3,784	45,830
	2011	–	–	–
D Clemson[4]	2012	20,209	1,819	22,028
	2011	55,046	4,954	60,000
Total Remuneration	2012	200,927	18,082	219,009
	2011	129,585	11,662	141,247

1 P Green is a partner of The Children's Investment Fund Management LLP which is a substantial shareholder of Infigen Energy. Throughout FY11 and FY12 Mr Green elected to receive no Director fees.

2 F Harris was appointed a Non-Executive Director of IERL on 21 June 2011.

3 R Rolfe was appointed a Non-Executive Director of IERL on 9 September 2011.

4 D Clemson retired as a Director on 11 November 2011.

DIRECTORS' REPORT CONTINUED

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 Infigen Energy RE Limited, the responsible entity of the Infigen Energy Trust:

F Harris
Director

M George
Director

Sydney, 14 September 2012

Auditor's Independence Declaration

As lead auditor for the audit of Infigen Energy Trust 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 Trust and the entities it controlled during the period.

Darren Ross
Partner
PricewaterhouseCoopers

14 September 2012

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

Report on the financial report

We have audited the accompanying financial report of Infigen Energy Trust (the Trust), which comprises the statement of financial position as at 30 June 2012, 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 Trust Group (the consolidated entity). The consolidated entity comprises the Trust 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 Infigen Energy RE Limited (the responsible entity) 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*.

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Auditor's opinion

In our opinion:

(a) the financial report of Infigen Energy Trust 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 6 to 7 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 Trust for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Darren Ross

Darren Ross
Partner

14 September 2012

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

	Note	2012 $'000	2011 $'000
Interest income		22	23
Operating expenses	2	(648)	(813)
Loss from operating activities		**(626)**	**(790)**
Total comprehensive loss for the year		**(626)**	**(790)**
Net operating loss attributable to unit holders		**(626)**	**(790)**
Comprehensive loss attributable to unit holders		**(626)**	**(790)**
Earnings per unit based on earnings attributable to unit holders:			
Basic (cents per unit)	10	(0.1)	(0.1)
Diluted (cents per unit)	10	(0.1)	(0.1)

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	15	369	346
Trade and other receivables	5	635,408	741,600
Total current assets		**635,777**	**741,946**
Non-current assets			
Receivables	5	106,452	–
Total non-current assets		**106,452**	**–**
Total assets		**742,229**	**741,946**
Current liabilities			
Payables	7	2,255	1,346
Total current liabilities		**2,255**	**1,346**
Total liabilities		**2,255**	**1,346**
Net assets		**739,974**	**740,600**
Equity			
Contributed equity	8	753,076	753,076
Retained deficit	9	(13,102)	(12,476)
Total equity		**739,974**	**740,600**

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

	Note	Contributed equity $'000	Retained deficit $'000	Total $'000
Total equity at 1 July 2010		**774,979**	**(11,686)**	**763,293**
Net loss for the period		–	(790)	(790)
Total comprehensive loss for the period		**–**	**(790)**	**(790)**
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs	8	981	–	981
Distributions paid	11	(22,884)	–	(22,884)
Total equity at 30 June 2011		**753,076**	**(12,476)**	**740,600**
Net loss for the period		–	(626)	(626)
Total comprehensive loss for the period		**–**	**(626)**	**(626)**
Total equity at 30 June 2012		**753,076**	**(13,102)**	**739,974**

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 year		(626)	(790)
Adjustments for:			
Changes in net assets and liabilities:			
(Increase)/decrease in current receivables		12	(12)
Increase in current payables		909	650
Net cash (outflow)/inflow from operating activities		**295**	**(152)**
Cash flows from financing activities			
Repayment from/(loans) to related parties	5	(272)	22,142
Distributions paid to security holders	11	–	(21,903)
Net cash (outflow)/inflow from financing activities		**(272)**	**239**
Net increase in cash and cash equivalents		23	87
Cash and cash equivalents at the beginning of the financial year		346	259
Cash and cash equivalents at the end of the financial year	15	**369**	**346**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes financial statements for the consolidated entity consisting of the Infigen Energy Trust (IET) and its subsidiaries.

Summarised financial information relating to the parent entity, IET, is presented in Note 18.

Stapled security

The shares of Infigen Energy Limited (IEL) and Infigen Energy (Bermuda) Limited (IEBL) and the units of 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.

(a) Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

(i) Compliance with IFRS

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

(ii) 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 the income statement.

(b) Principles of consolidation

Subsidiaries

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

Subsidiaries are all those entities (including 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 parties external to the Group. Disposals to non-controlling interests results in gains and losses for the Group that are recorded in the income statement. Purchases from non-controlling interests result in goodwill, 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.

(c) Trust formation

IET was established in Australia on 16 June 2003. On 26 September 2005, IET became a registered scheme. On 26 September 2005 Infigen Energy RE Limited became the responsible entity of IET.

(d) Trade and other payables

Trade payables and other accounts payable are recognised when the consolidated 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) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

(f) Goods and services tax

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.

1. SUMMARY OF ACCOUNTING POLICIES continued

(g) Parent entity financial information

The financial information for the parent entity (IET) disclosed in Note 18 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of IET.

(ii) 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.

(h) Income tax

Under current legislation, IET is not subject to income tax as unit holders are presently entitled to the income of IET.

(i) Revenue recognition

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:

Interest income is recognised using the effective interest method.

(j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents comprise cash on hand and in banks.

(k) 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.

(l) Contributed equity

Units are classified as equity. Incremental costs directly attributable to the issue of new units or options are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, for example, as the result of a buy-back, those instruments are deducted from equity and the associated units 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.

(m) Earnings per unit

Basic earnings per unit is calculated by dividing the profit or loss attributable to unit holders, excluding any costs of servicing equity other than the units, by the weighted average number of units outstanding during the financial year, adjusted for bonus elements in units issued during the year.

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary units and the weighted average number of units assumed to have been issued for no consideration in relation to dilutive potential ordinary units.

(n) 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 carrying value less impairment provision 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 IET for similar financial instruments.

(o) Rounding of amounts

The consolidated entity 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. SUMMARY OF ACCOUNTING POLICIES continued

(p) 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 impact of these new standards and interpretations is set out below.

(i) AASB 10, AASB 11 and AASB 12 and revised AASB 127 and AASB 128 – *Consolidations, joint arrangements and associated disclosures* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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 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 does not expect any of the above changes to have any impact on its financial statements.

(ii) 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 recognized 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 2013.

(q) 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 impact on the entity and that are believed to be reasonable under the circumstances. IET makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. LOSS FROM OPERATIONS

	2012 $'000	2011 $'000
Loss from operations has been arrived at after charging the following expenses:		
Operating expenses:		
Administration, consulting and legal fees	43	223
Responsible Entity fees	605	590
	648	**813**

3. REMUNERATION OF AUDITORS

	2012 $	2011 $
PricewaterhouseCoopers Australia: Audit and other assurance services		
Audit and review of financial services	31,400	31,493
Total remuneration for audit and other assurance statements	**31,400**	**31,493**

4. KEY MANAGEMENT PERSONNEL REMUNERATION

The responsible entity of Infigen Energy Trust is Infigen Energy RE Limited (IERL).

Details of key management personnel

The following Directors were Key Management Personnel (KMP) of IERL during the financial year ended 30 June 2012:

- 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 IERL were:

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

1 Appointed 14 March 2011

2 Resigned 31 December 2010

Key management personnel remuneration

KMP are not remunerated by IET. Payments made by IET to the responsible entity do not include any amounts attributable to the remuneration of KMPs.

Non-Executive Directors of IERL, the responsible entity of IET, are remunerated by IERL. Other KMP of Infigen are remunerated by the Infigen Energy Group.

The aggregate remuneration of Non-Executive Directors of IERL and other KMP of Infigen that are paid by the Infigen Energy Group during years ended 30 June 2012 and 30 June 2011 is set out below:

	2012 $	2011 $
Short-term employee benefits[1]	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[2]	1,120,239	816,599
Write-back prior years share-based incentive expense allocation	(1,961,421)	–
Total	**3,925,075**	**3,839,185**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. KEY MANAGEMENT PERSONNEL REMUNERATION continued

Rights, options and awards held over Infigen securities

Performance rights/units and options over Infigen securities were granted to certain KMP in the years ended 30 June 2012 and 30 June 2011 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 held by KMP over Infigen securities over the period 1 July 2011 to 30 June 2012 are set out below.

	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 Dutaillis	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**
C Baveystock	N/A	–	–	**–**	309,966	–	**309,966**
S Taylor	N/A	–	–	**343,736**[1]	309,966	–	**653,702**
S Wright	N/A	–	–	**–**	–	–	**–**
C Carson	N/A	–	–	**126,866**	–	–	**126,866**

1 Granted before becoming a KMP

2 Represents forfeitures due to vesting conditions not met

Options held by KMP over Infigen securities for the period 1 July 2011 to 30 June 2012 are set out below.

	Balance at 30 June 2010	Other changes	Balance at 30 June 2011	Granted	Other changes[1]	Balance at 30 June 2012
M George	5,053,908	–	**5,053,908**	–	(2,526,954)	**2,526,954**
G Dutaillis	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**

1 Represents forfeitures due to vesting conditions not met

Loans to key personnel and their personally related entities from Infigen

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.

4. KEY MANAGEMENT PERSONNEL REMUNERATION continued

Security holdings in Infigen

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

	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 Dutaillis	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.

2 Granted before becoming a KMP.

5. TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Current		
GST Receivable	–	12
Loans to related parties[1]	635,408	741,588
	635,408	**741,600**
Non-current		
Loans to related parties[1]	106,452	–
	106,452	**–**

1 Refer to Note 13 for further information relating to loans to related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. CHANGES IN THE COMPOSITION OF THE CONSOLIDATED ENTITY

There were no changes to composition of the consolidated entity in the year ended 30 June 2011 and 30 June 2012.

7. PAYABLES

	2012 $'000	2011 $'000
Current		
Amounts due to related parties[1]	2,255	1,346
	2,255	**1,346**

1 Refer to Note 13 for further information relating to loans to related parties.

8. CONTRIBUTED EQUITY

	2012		2011	
	No. '000	$'000	No. '000	$'000
Fully paid Units				
Balance at beginning of financial year	762,266	753,076	760,374	774,979
Issue of securities – Distribution reinvestment plan (i)	–	–	1,892	981
Capital distributions	–	–	–	(22,884)
Balance at end of financial year	**762,266**	**753,076**	**762,266**	**753,076**

Units entitle the holder to participate in distributions from IET. The holder is entitled to participate in the proceeds on winding up of IET in proportion to the number of and amounts paid on the units held.

(i) Distribution reinvestment plan

On 14 June 2011, Infigen announced that it has suspended distributions for 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.

Prior to 14 June 2011, Infigen operated a distribution reinvestment plan (DRP) under which holders of stapled securities may elect 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 is three trading days before the date that the securities are to be allotted under the DRP.

9. RETAINED DEFICIT

	2012 $'000	2011 $'000
Balance at beginning of financial year	(12,476)	(11,686)
Net loss attributable to unit holders	(626)	(790)
Balance at end of financial year	**(13,102)**	**(12,476)**

10. EARNINGS PER UNIT

	2012	2011
Basic and diluted earnings per unit (cents)	(0.1)	(0.1)
Earnings used in calculation of basic and diluted earnings per unit to unit holders ($'000)	(626)	(790)
Weighted average number of units on issue used in calculation of earnings per unit ('000)	**762,266**	**761,341**

11. DISTRIBUTIONS PAID

	2012		2011	
	Cents per security	Total $'000	Cents per security	Total $'000
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).

12. SEGMENT INFORMATION

The principal activities of the consolidated entity during the period were to lend and manage funds to entities carrying on renewable energy businesses. These activities were based in Australia.

13. RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage ownership held in subsidiaries are disclosed in Note 14 to the financial statements.

(b) Key management personnel disclosures

Details of key management personnel remuneration are disclosed in Note 4 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. RELATED PARTY DISCLOSURES continued

(c) Other related party transactions

Related party balances

Receivables from related parties are disclosed in Note 5. Payables to related parties are disclosed in Note 7.

During the year ended 30 June 2012, IET charged no interest (2011: nil) on certain loans receivable from IEL. Under IET's constitution, the Responsible Entity ("RE") is entitled to a management fee of 2% per annum of the value of the gross assets of IET. The RE, Infigen Energy RE Limited, is a wholly owned subsidiary of IEL. The RE had previously exercised its right under the constitution to waive the fee referred to above such that it is paid a fixed fee that is increased by CPI annually. During the year ended 30 June 2012, IET incurred Responsible Entity fees of $605,448 (2011: $590,681) from the RE.

As at 30 June 2012, IET owed the following amounts to other members of the Infigen group:

	2012 $'000	2011 $'000
Infigen Energy RE Limited	2,255	1,346

As at 30 June 2012, the consolidated entity was owed the following amounts by other members of the Infigen group:

	2012 $'000	2011 $'000
Infigen Energy Limited	591,748	588,490
Infigen Energy (Bermuda) Limited	691	691
Capital Wind Farm Holdings Pty Limited	12,960	12,960
Infigen Energy Holdings Pty Limited	–	109,438
Infigen Energy (US) 2 Pty Limited	30,009	30,009
Total current receivables from related parties	**635,408**	**741,588**
Infigen Energy Holdings Pty Limited	106,452	–
Total non-current receivables from related parties	**106,452**	–

(d) Parent entities

The parent entity in the consolidated entity is IET. The ultimate Australian parent entity is IET. The ultimate parent entity is IET.

14. SUBSIDIARY ENTITIES

		OWNERSHIP INTEREST	
Name of entity	**Country of incorporation**	**2012 %**	**2011 %**
Parent entity			
Infigen Energy Trust	Australia		
Subsidiaries of IET			
Walkaway (BB) Trust	Australia	100%	100%
CS Walkaway Trust	Australia	100%	100%
Renewable Power Ventures Investment Trust	Australia	68%	68%

15. NOTES TO THE CASH FLOW STATEMENTS

	2012 $'000	2011 $'000
Reconciliation of cash and cash equivalents		
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, 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	369	346
	369	**346**

16. 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 this risk comprise cash and receivables.

The Infigen Group's treasury department identifies, evaluates and hedges 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, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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 minimise potential adverse effects on the financial performance of the Group. In line with the Group's treasury policy derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

There have been no changes to the type or class of financial risks the Group is exposed to since the prior year.

(a) Market risks

Interest rate risks

IET has a small amount of cash balances. Interest earnings on these cash balances are affected when interest rates move.

Sensitivity

The sensitivity to interest rate movement of net loss before tax and equity have been determined based on the exposure to interest rates at the reporting date. A sensitivity of 100 basis points has been selected. The 100 basis points sensitivity is deemed to be flat across the yield curve and is a reasonable estimate of movement based on current long term and short term interest rates.

	AUD $'000	AUD +100 bps	AUD -100 bps
2012			
Impact on income statement			
Cash	369	4	(4)
2011			
Impact on income statement			
Cash	346	3	(3)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to IET.

IET has credit risk exposure to a group of counterparties having similar characteristics, being other members of the Infigen Group. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents IET's maximum exposure to credit risk.

	Within credit terms $'000	Past due but not impaired $'000	Impaired $'000	Description
2012				
Bank deposits	369	–	–	Minimum credit rating – 'A' grade (S&P)
GST Receivable	–	–	–	Due from the Australian Government
Loans to related parties	741,860	–	–	Due from members of the Infigen Group
	742,229	**–**	**–**	
2011				
Bank deposits	346	–	–	Minimum credit rating – 'A' grade (S&P)
GST Receivable	12	–	–	Due from the Australian Government
Loans to related parties	741,588	–	–	Due from members of the Infigen Group
	741,946	**–**	**–**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. FINANCIAL RISK MANAGEMENT continued

Capital Risk Management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distributions paid to unit holders, return capital to unit holders, issue new unit or sell assets to reduce debt.

The Board of 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.

(c) Liquidity risks

The Group manages liquidity risk 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 liabilities at balance 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.

	Up to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
2012				
Amounts due to related parties	2,255	–	–	**2,255**
2011				
Amounts due to related parties	1,346	–	–	**1,346**

17. SUBSEQUENT EVENTS

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

18. 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	635,777	741,947
Total assets	**763,869**	**763,586**
Current liabilities	2,255	1,346
Total liabilities	**2,255**	**1,346**
Shareholders' equity		
Issued capital	753,076	753,076
Retained earnings	8,538	9,163
Total equity	**761,614**	**762,239**
Loss for the year	(626)	(790)
Total comprehensive income	**(626)**	**(790)**

(b) Guarantees entered into by the parent entity

The parent entity has not provided financial guarantees in respect of loans of subsidiaries.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

DIRECTORS' DECLARATION

In the opinion of the directors of Infigen Energy RE Limited:

(a) the financial statements and notes set out on pages 12 to 26 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 their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that IET will be able to pay its debts as and when they become due and payable.

The directors have been provided with 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 of Infigen Energy RE Limited pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors:

F Harris **Director**	**M George** **Director**

Sydney, 14 September 2012

CORPORATE INFORMATION

REGISTERED OFFICE OF THE RESPONSIBLE ENTITY

Level 22
56 Pitt Street
Sydney NSW 2000

SECURITY REGISTER

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Infigen Energy stapled securities are listed on the Australian Securities Exchange and trade under the code "IFN"

SOLICITOR

King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

AUDITOR

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000