



# 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](http://www.infigenenergy.com)

30 August 2011

## APPENDIX 4E AND FY11 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 2011

### For Further Information:

#### **Richard Farrell**

Investor Relations Manager

Phone: +61 2 8031 9901

### About Infigen Energy

Infigen Energy is Australia's leading specialist renewable energy business. For further information please visit our website: [www.infigenenergy.com](http://www.infigenenergy.com)

Infigen Energy stapled securities trade on the Australian Securities Exchange under the code IFN.

# INFIGEN ENERGY GROUP

## APPENDIX 4E

### Preliminary Final Report for the year ended 30 June 2011

Name of entity:	<b>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)</b>
ABN:	<b>As Above</b>

#### Details of the reporting period

<b>1.1 Current Period:</b>	1 July 2010 - 30 June 2011
<b>1.2 Previous Corresponding Period:</b>	1 July 2009 - 30 June 2010

#### Results for announcement to the market

	<b>% Movement</b>	<b>2011 A\$'000</b>	<b>2010 A\$'000</b>
<b>2.1 Revenues from ordinary activities</b>	1%	285,319 <sup>1</sup>	282,567 <sup>1</sup>
<b>2.2 Loss from ordinary activities after tax attributable to members</b>	18%	(60,994) <sup>1</sup>	(74,361) <sup>1</sup>
<b>2.3 Loss for the period attributable to members</b>	18%	(60,994) <sup>1</sup>	(74,361) <sup>1</sup>

<sup>1</sup> Refer to Section 2.6 below and to Section 14, *Commentary on Results*.

<b>2.4 Distributions</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final distribution</b>	Nil cents	N/A
<b>Interim distribution</b>	1.0 cents	Nil

<b>2.5 Record date for determining entitlement to the Interim and Final Distributions</b>	<b>Date</b>
<b>Final distribution</b>	Not applicable
<b>Interim distribution</b>	31 December 2011

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

**Revenue**

During the year ended 30 June 2011, revenue increased to \$285.3 million (or \$267.6m on an economic interest basis), from \$282.6 in the prior comparative period representing an increase of 1% or \$2.7 million. The current and prior comparative period numbers have been adjusted exclude any contribution to revenue from the German assets previously held by the Group, which were sold in June 2011.

The increase on prior year revenue is attributable to the full year impact of new assets at the Capital Wind Farm in Australia, improved availability and wind resources, which was offset by reductions in wholesale energy prices and adverse FX movements.

**Loss for the year**

For the year ending 30 June 2011, net loss after tax of \$61.0 million represents an improvement of 18% on the prior comparative period loss after tax of \$74.4 million. The loss from ordinary activities for the year ended 30 June 2011 includes a loss from discontinued operations of \$35.0 million, which arises from the sale of Infigen's German assets. This compares to a loss from discontinued operations of \$7.7 million in the prior comparative period arising from the sale of Infigen Energy's French assets.

The net loss after tax has improved compared to the prior comparative period, which is attributable to a tax benefit of \$9.0 million compared to tax expense of \$12.5 million in prior comparative period, additional net income from Institutional Equity Partnerships of \$7.1 million and the reduction of one-off costs and significant items which were nil compared to \$20.8 million in the prior comparative period.

Refer Section 14, *Commentary on Results*, for further details.

**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 attached financial statements.

**7. Details of distributions**

	<b>Record Date</b>	<b>Payment Date</b>
<b>FY11 Interim Distribution</b>	31 December 2010	17 March 2011
<b>FY11 Final Distribution</b>	N/A	N/A

On the 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 years ending 30 June 2012 and 30 June 2013.

## 8. Details of 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 is 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

	<b>Current Period</b>	<b>Previous Period</b>
Net tangible asset backing per stapled security <sup>1</sup>	0.43 cents	0.41 cents

<sup>1</sup> Net tangible assets fell by \$4.6 million between 30 June 2010 (\$328.9 million) and 30 June 2011 (\$324.3 million) mainly as a result of asset sales, 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	<p><b>Control Gained</b></p> <ol style="list-style-type: none"> <li>1. Flyers Creek Wind Farm Pty Ltd</li> <li>2. Bodangora Wind Farm Pty Ltd</li> <li>3. Cherry Tree Wind Farm Pty Ltd</li> <li>4. Woakwine Wind Farm Pty Ltd</li> </ol> <p><b>Control Lost</b></p> <ol style="list-style-type: none"> <li>5. Windpark Eifel GmbH &amp; Co KG</li> <li>6. Windpark Hiddestorf GmbH &amp; Co KG</li> <li>7. Windpark Kaarst GmbH &amp; Co KG</li> <li>8. Windpark Niederrhein GmbH &amp; Co KG</li> <li>9. Windpark Calau GmbH &amp; Co KG</li> <li>10. Windpark Langwedel GmbH &amp; Co KG</li> <li>11. Windpark Leddin GmbH &amp; Co KG</li> <li>12. Windpark Coswig GmbH</li> <li>13. Windfarm Eschweiler GmbH</li> <li>14. Windfarm Seehausen GmbH</li> <li>15. Sonnenberg Windpark GmbH &amp; Co KG</li> </ol>
10.2 Date control was gained or lost	<p><b>Control Gained</b></p> <ol style="list-style-type: none"> <li>1. March 2011</li> <li>2. March 2011</li> <li>3. March 2011</li> <li>4. March 2011</li> </ol> <p><b>Control Lost</b></p> <ol style="list-style-type: none"> <li>5. June 2011</li> <li>6. June 2011</li> <li>7. June 2011</li> <li>8. June 2011</li> <li>9. June 2011</li> <li>10. June 2011</li> <li>11. June 2011</li> <li>12. June 2011</li> <li>13. June 2011</li> <li>14. June 2011</li> <li>15. June 2011</li> </ol>

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	<p><b>Control Gained</b></p> <p>1. (\$153)</p> <p>2. \$65</p> <p>3. \$65</p> <p>4. -</p> <p><b>Control Lost</b></p> <p>5 to 15. (\$3,853,000)</p>
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	<p><b>Control Gained</b></p> <p>1 to 4. N/A</p> <p><b>Control Lost</b></p> <p>5 to 15. \$1,262,000</p>

## 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

### Revenue

Revenue was \$267.6 million on an economic interest basis, up 1% or \$3.8 million. This was towards the upper end of the guidance range and due to a 12% increase in revenue in Australia, primarily from an additional four months contribution from the 140.7 MW Capital Wind Farm in New South Wales (NSW) and a full year contribution from the 39 MW Lake Bonney 3 Wind Farm in South Australia (SA).

These increases were partially offset by a 5% decrease in revenue from the US caused largely by the significant appreciation of the Australian Dollar (AUD) against the United States (US) Dollar (USD) and by lower wholesale electricity and Renewable Energy Certificate (REC) prices in Australia. In local currency terms revenue in the US increased 7% reflecting increased production due to a return to long term mean (P50) wind conditions.

### Net loss before significant items and tax

Loss before Significant Items and Tax was \$35.0 million, \$1.6 million higher than the prior year.

The drivers for this result were lower EBIT and higher borrowing costs partially offset by a higher net contribution from US IEPs.

#### **Discontinued operations, significant items and tax**

Discontinued operations resulted in a loss of \$35.0 million this year. This comprised of the loss on sale of the German business (\$31.1 million) and a net loss from the discontinued German business up to the time of disposal (\$3.9 million). The prior year included expenses related to the post-acquisition transition program for Infigen's US Asset Management business (\$9.7 million), expenses related to the potential sale of overseas assets (\$11.1 million) and aggregate net loss from the discontinued French business (sold during that period) and German business (\$7.7 million). Income Tax benefit was \$9.0 million, a favourable movement of \$21.5 million.

#### **Net Loss**

Infigen Energy reported a Net Loss for the year of \$61.0 million, 18% or \$13.4 million lower than the prior year. The result reflects a strong operational performance of the business in challenging market conditions together with a favourable tax benefit. These were offset by higher post warranty turbine O&M costs, higher borrowing costs as a result of interest rate swap termination costs, and the loss from the sale of the German wind farms.

## **15. Outlook**

Infigen begins the 2012 financial year (FY12) with the clear objective of building on the solid performance outcome in the challenging market conditions of the 2011 financial year (FY11) with continued focus on improving operational performance.

#### **Production**

In FY12 production is expected to be maintained in the US and increase in Australia. In the US wind conditions returned to P50 in FY11 and we expect a continuation of P50 wind conditions and steady availability performance through FY12. In Australia an increase in capacity, as the Woodlawn wind farm reaches practical completion towards the end of the calendar year, a gradual return towards P50 production, and sustained availability improvements are expected to contribute to increased production through FY12.

#### **Price**

The majority of Infigen's production in the US (86%) and Australia (58%) is contracted through FY12 and beyond at average prices above current market prices. The balance of the production is subject to wholesale electricity and REC prices which are expected to remain subdued in the US and Australia. The combined effect should result in the average portfolio price in each country being similar to that realised in FY11.

In the US ongoing growth in the shale gas industry and lower economic activity have lowered wholesale electricity prices over the last few years and these factors are expected to keep downward pressure on wholesale prices in the short term. Reduced new capacity investment and retirement of coal fired power stations are expected to tighten capacity reserves and lift prices in the medium term.

In Australia wholesale electricity market prices have improved gradually from the lows of the first half of FY11. A number of fundamental factors are still expected to result in subdued wholesale pricing for FY12 and the medium term.

In Queensland, gas fired generation output has increased significantly over the last 12 to 18 months due to an excess supply of fuel as coal seam gas producers ramp up production in preparation for an LNG export market from 2014.

Across the NEM water inflow into dams after the recent floods, together with weather patterns returning to mild La Nina conditions have also resulted in increased availability of hydro generation.

Fuel switching from electricity to gas (for cooking and heating) and a significant uptake of residential solar PV, solar hot water and heat pumps as a result of government incentives have all had the effect of reducing wholesale electricity demand. Furthermore, price elasticity is being observed as customer behaviour changes

and consumption reduces in response to rising retail electricity prices (predominantly attributable to increasing network costs). The mild La Nina weather pattern is also contributing to lower demand during peak periods thereby limiting high price events in the market.

The REC market in Australia recovered somewhat through the second half of FY11 as legislative changes to the RET quarantined 90% of the target for utility scale generation and targets for future years were adjusted to absorb the surplus sooner. Despite many of the large liable companies taking advantage of the opportunity to acquire and reserve significant portions of the REC surplus for future obligations, the current supply-demand imbalance may still lead to some short term price volatility. We expect REC prices to improve steadily in the medium term but remain around current levels through FY12.

Continued stability in RET policy is required to underpin investment and contracting decision making for the medium and long term.

### **Operating costs**

Post warranty cost increases are expected to continue to be managed within or below the forecast ranges in FY12 and for the medium term utilising response strategies including predictive and preventative maintenance and efficient supply chain management.

The US portfolio will have on average only 27% of capacity remaining under warranty in FY12. In Australia, the addition of the Woodlawn Wind Farm will slow the rate of decline of capacity under warranty, with an average of 69% under warranty in FY12.

As most wind farm operating costs are incurred irrespective of production levels the cost per megawatt-hour will be influenced by the final production outcome in any given year.

Looking further ahead there is a number of developments and opportunities that have the potential to add to future earnings and generate securityholder value. These include:

- A full year contribution of the Woodlawn Wind Farm in the 2013 financial year;
- Opportunities arising from the development of solar PV sites;
- Increased diversification of channels to market including direct contracting with commercial and industrial customers;
- Commencement of a carbon price regime and improved wholesale electricity prices in Australia;
- Resolution of the supply-demand imbalance in the Australian REC market as excess RECs are absorbed; and
- Continuing initiatives to control post warranty O&M costs.

Infigen's solid performance in FY11 reflects the robustness of the business and its ability to withstand challenging market conditions. Infigen's view of intrinsic value of the business is materially higher than the current security price reflects.

Cash flows from Infigen's wind farms (excluding Woodlawn) remain subject to the cash sweep associated with Infigen's long-term, low interest margin Global Facility. Infigen remains on track to repay \$250 million of Global Facility borrowings across FY11 and FY12 and expects to continue to meet the leverage ratio covenant test in FY12. Infigen regularly tests its forecast compliance with the leverage ratio covenant through the life of the facility, including giving consideration to the potential for year on year variances and a range of sensitivities to affect covenant compliance. The Board is confident that under reasonable operating and market assumptions Infigen will continue to meet its leverage ratio covenant for the duration of the facility term.

We will continue to consider bona fide opportunities to further simplify our business. Infigen will also continue to limit its corporate and development costs and to prudently conserve the cash that it currently holds outside of the Global Facility group of borrower entities.

## **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.





**INFIGEN ENERGY LIMITED**

ABN 39 105 051 616

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2011**

TOGETHER WITH THE DIRECTORS' REPORT

# **Infigen Energy Limited**

## **Annual Financial Report for the year ended 30 June 2011**

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# Corporate Structure

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

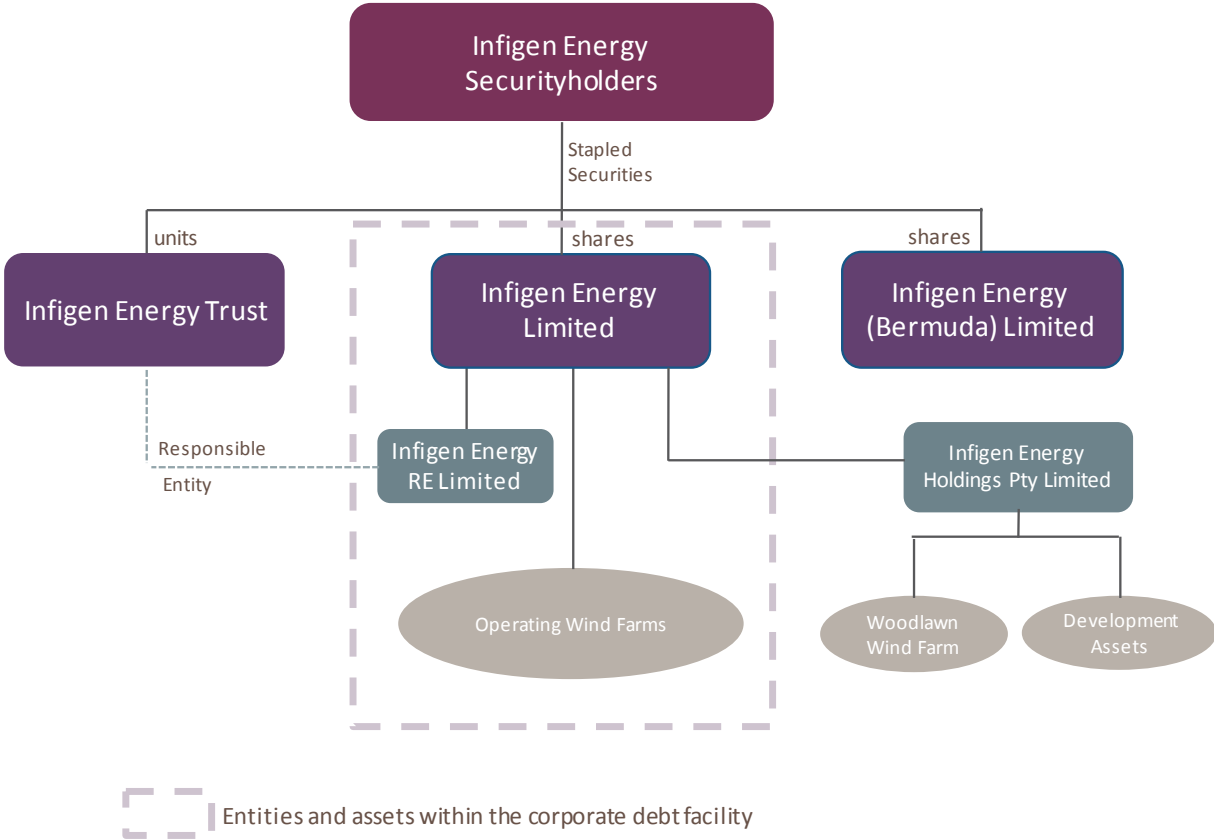
- Infigen Energy Limited (**IEL**), a public company incorporated in Australia;
- Infigen Energy Trust (**IET**), a managed investment scheme registered in Australia;
- Infigen Energy (Bermuda) Limited (**IEBL**), a company incorporated in Bermuda; and
- the subsidiary entities of IEL and IET.

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.



# Directors' Report

In respect of the year ended 30 June 2011, 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
- Douglas Clemson
- Miles George

The following people were appointed as Directors of IEL, IEBL and IERL during the financial year and continue in office at the date of this report:

- Philip Green (appointed 18 November 2010)
- Fiona Harris (appointed 21 June 2011)

The following people were Directors of IEL, IEBL and IERL from the beginning of the financial year until their resignation/retirement:

- Graham Kelly (resigned on 12 November 2010)
- Anthony Battle (retired on 18 November 2010)

## Further Information on Directors

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

<i>Name</i>	<i>Particulars</i>
<p><b><u>Michael Hutchinson</u></b>  <b>Non-Executive Chairman of IEL, IEBL and IERL</b></p> <p><i>Appointed to IEL, IEBL and IERL on 18 June 2009</i></p> <p><i>Member of the Audit, Risk &amp; Compliance Committee</i>  <i>Chairman of the Nomination &amp; Remuneration Committee</i></p>	<p>Mike was appointed an independent non-executive director of Infigen Energy in June 2009 and subsequently elected Chairman in November 2010. He is a member of the Audit, Risk &amp; Compliance Committee and Chairman of the Nomination &amp; 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>
<p><b><u>Douglas Clemson</u></b>  <b>Non-Executive Director of IEL, IEBL and IERL</b></p> <p><i>Appointed to IEL and IERL on 9 September 2005</i></p> <p><i>Appointed to IEBL on 14 September 2005</i></p> <p><i>Chairman of the Audit, Risk &amp; Compliance Committee</i>  <i>Member of the Nomination &amp; Remuneration Committee</i></p>	<p>Doug is the former Finance Director and CFO of Asea Brown Boveri (ABB) where he was responsible for the corporate and project finance needs of the ABB group in Australia and New Zealand. He was instrumental in the establishment of the activities of ABB Financial Services and its participation in the co-development, construction and operation of important power generation, transportation and infrastructure projects in this region.</p> <p>Prior to joining ABB, Doug held senior line management and finance executive positions with manufacturing groups, ACI and Smiths Industries. He is the recent chairman of Redbank Power and director of Powerco NZ. His previous directorships include General and Cologne Reinsurance, Electric Power Transmission Group, ABB Australia, and New Zealand, and Smiths Industries.</p> <p>Doug is a qualified accountant and a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.</p>

<b>Name</b>	<b>Particulars</b>
<p><b><u>Philip Green</u></b>  <b>Non-Executive Director of IEL, IEBL and IERL</b></p> <p><i>Appointed to IEL, IEBL and IERL on 18 November 2010</i></p> <p><i>Member of the Audit, Risk &amp; Compliance Committee</i></p>	<p>Philip was appointed a non-executive director of Infigen Energy in November 2010. He is a member of the Audit, Risk &amp; 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>
<p><b><u>Fiona Harris</u></b>  <b>Non-Executive Director of IEL, IEBL and IERL</b></p> <p><i>Appointed to IEL, IEBL and IERL on 21 June 2011</i></p> <p><i>Member of the Audit, Risk &amp; Compliance Committee</i></p> <p><i>Member of the Nomination &amp; Remuneration Committee</i></p>	<p>Fiona was appointed an independent non-executive director of Infigen Energy in June 2011. Fiona is a member of the Audit, Risk &amp; Compliance Committee and since the end of the period has also been appointed a member of the Nomination &amp; Remuneration Committee.</p> <p>Fiona is Chairman of Barrington Consulting Group and National Director of the Australian Institute of Company Directors. For the past sixteen years she has been a professional non-executive director.</p> <p>Fiona is currently a Director of Altona Mining Limited, Aurora Oil &amp; Gas Limited and Sundance Resources Limited. Fiona has previously 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><b><u>Miles George</u></b>  <b>Executive Director of IEL, IEBL and IERL</b></p> <p><i>Appointed to IEL, IEBL and IERL on 1 January 2009</i></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>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 <sup>1</sup>			
		Balance 1 July 2010	Acquired during the year	Sold during the year	Balance 30 June 2011
M Hutchinson <sup>2</sup>	Independent Chairman	0	0	0	0
D Clemson	Independent Non-Executive Director	140,000	0	0	140,000
P Green <sup>3</sup>	Non-Executive Director	n/a	0	0	0
F Harris <sup>4</sup>	Independent Non-Executive Director	n/a	0	0	0
M George	Executive Director	500,000	0	0	500,000
Former Directors	Role				
G Kelly <sup>5</sup>	Independent Chairman	10,000	0	0	n/a
A Battle <sup>6</sup>	Independent Non-Executive Director	42,634	0	0	n/a

<sup>1</sup> 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.

<sup>2</sup> M Hutchinson appointed as a Non-Executive Director of IEL, IEBL and IERL on 18 June 2009 and subsequently elected as Chairman of each entity on 12 November 2010.

<sup>3</sup> P Green appointed as a Non-Executive Director of IEL, IEBL and IERL on 18 November 2010. Mr 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.

<sup>4</sup> F Harris appointed as a Director of IEL, IEBL and IERL on 21 June 2011.

<sup>5</sup> G Kelly resigned as Chairman and a Director of IEL, IEBL and IERL on 12 November 2010.

<sup>6</sup> A Battle retired as a Director of IEL, IEBL and IERL on 18 November 2010.

## 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 2011, 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	17	17	17	17	17	17	9	9	9	9
D Clemson	17	17	17	17	17	17	9	9	9	9
P Green	12	12	12	12	11	12	2	2	n/a	n/a
F Harris	1	1	1	1	1	1	1	1	n/a	n/a
M George	17	17	17	17	17	17	n/a	n/a	n/a	n/a
Former Directors										
G Kelly	2	4	2	4	2	4	n/a	n/a	2	3
A Battle	3	5	3	5	3	5	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 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.

<b>Name</b>	<b>Particulars</b>
<b><u>David Richardson</u></b> <b>Company Secretary of IEL, IEBL and IERL</b>  <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, as well as corporate governance across the group.</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>
<b><u>Catherine Gunning</u></b> <b>Alternate Company Secretary of IEL, IEBL and IERL</b>  <i>Appointed 18 June 2009</i>	<p>Catherine is the General Counsel of Infigen Energy. Prior to joining Infigen in December 2005, Catherine was a Senior Associate in the Corporate &amp; 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> <p>Catherine is currently on maternity leave.</p>

## **Principal Activities**

Infigen Energy is a specialist renewable energy business with interests in a pipeline of Australian renewable energy developments and 24 operating wind farms across 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 capacity of 550 MW and plans to expand its renewable energy business through the delivery of projects from its Australian development pipeline. As a fully integrated renewable energy business in Australia, Infigen develops, builds, owns and operates energy generation assets and directly manages the sale of the electricity that is produced to a range of customers in the wholesale market.

Infigen's US business comprises 18 wind farms with a total installed capacity of 1089 MW (on an equity interest basis) and includes an asset management business.

## **Distributions**

In respect of the half year period ended 31 December 2010, the Infigen Board declared an FY11 interim distribution of 1 cent per stapled security that was paid on 17 March 2011.

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

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

## **Review of Operations**

During the year ended 30 June 2011, based on Infigen's economic interest, Infigen recorded revenues from continuing operations of \$285.3 million compared to \$282.6 million in FY10, representing an increase of approximately 1%.

Infigen recorded a net loss for FY11 of \$61.0 million compared to a net loss for FY10 of \$74.4 million.

A further review of the operations of Infigen and the results of those operations for the year ended 30 June 2011 is included in the attached Financial Statements and accompanying Notes.

## ***Changes in State of Affairs***

In the first quarter of FY11, construction commenced on Infigen's sixth wind farm in Australia, the 48 MW Woodlawn wind farm in New South Wales comprising 23 turbines. By 30 June 2011, all turbines had been erected and were undergoing the commissioning process. Practical Completion for the wind farm is planned for the second quarter of FY12.

On 21 March 2011, Infigen completed a transaction with its joint venture development partner, 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, Infigen acquired the remaining 50% interest in four development projects from NPP that it did not already own (Flyers Creek, Bodangora, Cherry Tree, Woakwine) and sold its 50% interest in the Glen Innes development project and approximately 100 MW of other development projects to NPP which were previously being jointly developed.

In June 2011, all conditions precedent under a \$55 million project financing facility for the Woodlawn wind farm were satisfied and draw down under the facility commenced.

On 29 June 2011, Infigen disposed of its portfolio of 12 wind farms in Germany for a total enterprise value of €154.6 million.

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

## ***Subsequent Events***

On 6 July 2011, \$154,264,000 of Global Facility debt was repaid in relation to the disposal of Infigen's German assets.

## ***Future Developments***

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

## ***Environmental Regulations***

To the best of 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. The agreement stipulates that 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**

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 2011 Remuneration Report.

Since the internalisation of Infigen and its transition to a standalone operating business, your directors have continued to develop the alignment of executive and senior management pay with securityholder interests.

It continues to be appropriate to reward key executives and senior management with market-competitive packages of fixed remuneration plus at-risk components that reflect both short term achievements and long-term Group performance.

The alignment of executive and senior management remuneration with security holder interests meant that there was again no vesting or payout during the year for any Long Term Incentives (LTI) granted under the Performance Rights and Options (PR&O) plan. Senior executive base salaries were not increased in FY11. Non-Executive Directors' fees have been held constant. Senior management numbers were reduced.

Further progress has been made towards embedding a performance-based culture. Six-monthly performance reviews link incentives to key financial, strategic and operational performance indicators.

Although the current security price does not adequately reflect the intrinsic value of the business, we believe that providing a material part of executive and senior management remuneration with the potential to acquire Infigen securities is appropriate. Securityholder and executive interests are better aligned. But we are also mindful of dilution. Fewer equity-related grants were made in FY11 than in prior years.

Equity-related grants made to executives and senior managers must be reported as part of executives' remuneration, and expensed. This is despite receipt being wholly at risk, deferred for 3-4 years and vesting remaining dependent on the performance of the Group. This statutory reporting means that an executive's reported remuneration will often significantly exceed what was actually received. This year we have provided supplementary commentary and tables to provide a clearer explanation of executives' "take-home pay" in addition to the statutory disclosures.

Your directors are currently further reviewing the remuneration structure, drawing advice from a recently appointed independent adviser. We are mindful of market trends in executive remuneration whilst also ensuring that remuneration structures serve the business as an effective incentive, reward and retention tool in an increasingly competitive employment market in the renewable energy sector.

Looking ahead, we have decided to change the variable pay components for FY12. There will be some rebalancing of long and short term incentive elements. Half of executive and senior managements' FY12 Short Term Incentive (STI) payments will be expressed in securities and deferred for 12 months (subject to necessary securityholder approval at the 2011 AGM). We will then settle deferred STI in securities under the terms of the PR&O plan. This deferral and settlement in securities will provide further alignment between executive remuneration and securityholder interests.

We have also decided to cap any future executive and senior management separation benefits to a limit of 12 months' base remuneration. We will, however, need to seek securityholder approval for potential rights in excess of this limit that have already accrued as a result of prior grants and contract arrangements.

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:

- monitored the implementation of a Human Resources Plan and alignment of the organisation structure;
- reviewed senior management achievement against FY10 Key Performance Indicators (KPIs);
- supervised the setting of FY11 KPIs for Key Management Personnel (KMP) and other senior management;
- monitored internal and external remuneration relativities;
- monitored the performance management program;
- approved short and long-term incentive opportunities for senior management;
- reviewed Board/Committee and Managing Director performance;
- evaluated workplace diversity and implemented a workplace Diversity Policy;
- retained Guerdon Associates as its adviser; and
- assessed legislative and other proposed regulatory changes to determine the effect on potential termination and retirement benefits payable to employees.

Significant matters to note for director, executive and senior management FY11 remuneration are:

- remuneration of KMP was not increased during the year;
- no increase in fees was paid to non executive directors;
- no LTI vested;
- deferred payments were put in place to retain selected senior management and KMP;
- FY11 LTI grants were awarded to fewer people than for FY09 and FY10; and
- senior management numbers were reduced.

## **Remuneration Framework**

Infigen's remuneration framework aims to ensure remuneration:

- is commensurate with an individual's contribution, position and responsibilities;
- is fair and reasonable given market standards;
- 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 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 during the year ended 30 June 2011 are set out below.

<b>Board / Committee</b>	<b>Role</b>	<b>Fee (pa)</b>
Infigen Boards	Chairman	\$210,000
	Non-Executive Director	\$125,000
Infigen Audit, Risk & Compliance Committees	Chairman	\$18,000
	Member	\$9,000
IEL Nomination & Remuneration Committee	Chairman	\$12,000
	Member	\$6,000

### **Remuneration of Non-Executive Directors for the years ended 30 June 2010 and 2011**

The nature and amount of each element of fee payments to each Non-Executive Director of Infigen for the years ended 30 June 2010 and 2011 are set out in the table below.

<b>Non-Executive Directors</b>	<b>Year</b>	<b>Short-term benefits</b>	<b>Post-employment benefits</b>	<b>Total</b>
		<b>Fees</b>	<b>Superannuation</b>	
		<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
M Hutchinson	2011	179,969	13,865	193,834
	2010	128,440	11,560	140,000
D Clemson	2011	136,697	12,303	149,000
	2010	136,697	12,303	149,000
P Green <sup>1</sup>	2011	-	-	-
	2010	-	-	-
F Harris <sup>2</sup>	2011	3,783	340	4,123
	2010	-	-	-
G Kelly <sup>3</sup>	2011	73,574	5,903	79,477
	2010	201,539	14,461	216,000
A Battle <sup>4</sup>	2011	51,630	4,667	56,297
	2010	133,945	12,055	146,000
<b>Total Remuneration</b>	2011	445,653	37,078	482,731
	2010	600,621	50,379	651,000

<sup>1</sup> P Green was appointed a Non-Executive Director of Infigen Energy on 18 November 2010. Mr Green is a partner of The Children's Investment Fund Management LLP which is a substantial shareholder of Infigen Energy. Throughout FY11 Mr Green elected to receive no Director fees.

<sup>2</sup> F Harris was appointed a Non-Executive Director of Infigen Energy on 21 June 2011.

<sup>3</sup> G Kelly resigned as a Director on 12 November 2010.

<sup>4</sup> A Battle retired as a Director on 18 November 2010.

## **B. Remuneration of Senior Management**

The remuneration framework for the management team (including 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.

### **Fixed Pay**

Fixed pay is cash salary and benefits, including superannuation, and, for some senior managers, a temporary and deferred payment of cash. 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 applies to some Australian based KMP and senior managers. It does not apply to the Chief Executive Officer (CEO) or Chief Operating Officer (COO). The deferred cash payment vests in February 2012, with a further payment to one senior manager vesting in February 2013.

Fixed pay is benchmarked against industry peers. Market levels of remuneration are monitored on an annual basis, but there is no requirement or expectation that any adjustments will be made to fixed pay.

The only adjustments to fixed pay in FY11 were to recognise changed responsibilities and accountabilities for some senior managers.

STI and LTI opportunities were expressed as a percentage of fixed remuneration. (The Board has decided that in future the three components will be specified separately. That is, incentive payments will no longer be tied to the level of fixed pay. This will provide for increased flexibility in aligning future remuneration amendments with Group performance and challenges).

### **Short Term Incentives (STIs)**

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

KPIs for the Managing Director are determined by the Board.

The Board determines the aggregate amount of STI payments, the amount of the Managing Director's STI payment, and reviews proposed payments for key senior managers.

Financial goals determine 30% of the maximum KPI assessment and typically relate to keeping within tight cost budgets. Strategic goals determine 20-30% of the KPI assessment. Operational goals determine 40-50% of the assessment.

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

Much of the short term business performance of the Group depends heavily upon variable external conditions. These include wind conditions and commodity market prices for electricity and renewable energy certificates. 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. They include, for example, measures to reduce revenue volatility, to enhance the value of the development pipeline and to optimise cash and debt management. These KPIs sit alongside others that measure safety, cost containment, budget achievement, project delivery, and risk management.

Incentive payments have been paid annually in cash. From FY12 and beyond the Board has decided that a portion of 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. 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.

The maximum STI opportunity for KMP, expressed as a percentage of base salary, is set out below.

<b>KMP</b>	<b>Maximum STI</b>
Chief Executive Officer (CEO)	64%
Chief Operating Officer (COO)	57%
Chief Financial Officer (CFO)	30%
General Manager Corporate Finance	30%

### **Long Term Incentives (LTIs)**

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 LTI rights granted to KMP in FY11 were based on the following proportions of base salary:

<b>KMP</b>	<b>LTI</b>
Chief Executive Officer (CEO)	105%
Chief Operating Officer (COO)	77%
Chief Financial Officer (CFO)	77%
General Manager Corporate Finance	30%

The number of rights granted is based on the LTI value, divided by a reference price for IFN securities. This is typically 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.

	<b>Performance Rights</b>
<b>Tranche 1</b>	Relative TSR
<b>Tranche 2</b>	EBITDA/Capital

Both hurdles are measured over a 3 year period. The performance period of the FY11 grant is 1 July 2010 to 30 June 2013. 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 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's TSR performance compared to the relevant peer group	Percentage of Tranche 1 performance rights and Tranche 1 options to vest
0 to 49th percentile	Nil
50th to 74th percentile	50% – 98% (ie. for every percentile increase between 50% and 74% an additional 2% of the TSR grant will vest)
75th to 100th percentile	100%

**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 FY11 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 previous five financial year periods are provided in the table below.

	30 June 2007	30 June 2008	30 June 2009	30 June 2010	30 June 2011
Closing security price	\$1.95	\$1.645	\$1.15	\$0.715	\$0.35
Revenue <sup>1</sup> (m)	\$171.9	\$254.3	\$303.8	\$263.8	\$267.6
EBITDA from operations <sup>1</sup> (m)	\$126.5	\$193.0	\$215.2	\$171.9	\$167.1
EBITDA to capital base <sup>2</sup> (actual)	n/a	n/a	0.31%	9.24%	(2.28%)
EBITDA to capital base <sup>2</sup> (target)	n/a	n/a	6.59%	19.22%	11.29%

<sup>1</sup> Revenue and EBITDA from operations figures exclude the results of discontinued operations in the year of disposal and the year prior to disposal. The Portuguese and Spanish asset portfolios were sold by Infigen Energy on 21 November 2008 and 9 January 2009, respectively. These asset sales achieved a collective net gain on sale of \$267.7 million and a significant deleveraging of the business. On 6 April 2010, the French asset portfolio was sold for a net loss on sale, including interest rate swap settlements, foreign exchange losses realised and advisory costs, of \$12.9 million. On 29 June 2011, the German asset portfolio was sold for a net loss on sale of \$31.1 million resulting in a further deleveraging of the business.

<sup>2</sup> EBITDA to capital base measure used within the PR&O Plan established in FY09.

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

**PR&O Plan rules:** Performance rights and options are governed by the rules of the PR&O Plan that was 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 FY11 grant in the event of a change in control of Infigen. The Board has decided that any exercise of this discretion 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. The terms of some prior year LTI grants could lead to a contractual commitment to higher payments through accelerated vesting on retirement or redundancy. Infigen will seek limited securityholder approval to address these cases.

### **Infigen Energy – Executive remuneration details**

In accordance with the Corporations Act 2001, the following persons were key management personnel and/or the five highest paid relevant group executives and/or company executives (Executives) of the Infigen Energy group during the financial year:

M George	Chief Executive Officer
G Dutailis	Chief Operating Officer
C Baveystock	Chief Financial Officer
B Hopwood	General Manager Corporate Finance
D Griffin	General Manager Development
D Richardson	Company Secretary
G Dover	Chief Financial Officer (resignation effective 31 December 2010)
A George	General Manager, Energy Markets Australia (employment ceased on 13 May 2011)

### **TABLE 1: Actual remuneration received by Executives**

The following table summarises the actual remuneration Executives received in FY11. Because no LTI grants vested in FY11 the only remuneration actually received was in the form of cash payments, including salary, superannuation, STI and termination benefits. This information shows more clearly the actual remuneration received. This is considerably less than the payments shown in the statutory tables.

<b>Executive</b>	<b>Year</b>	<b>Salary</b>	<b>STI paid in current period</b>	<b>Retention</b>	<b>Superannuation</b>	<b>Equity vested during the year</b>	<b>Total actual remuneration received</b>
		<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
M George	FY11	550,000	224,180	-	15,199	-	789,379
	FY10	550,000	-	220,000	14,461	-	784,461
G Dutailis	FY11	370,000	148,185	-	15,199	-	533,384
	FY10	370,000	-	160,000	14,461	-	544,461
D Richardson	FY11	255,000	58,725	-	15,199	-	328,924
	FY10	250,000	-	52,500	14,461	-	316,961
<b><i>New to FY11 Report</i></b>							
B Hopwood	FY11	288,800	82,649	-	15,199	-	386,648
D Griffin	FY11	306,000	81,091	-	15,199	-	402,290
C Baveystock	FY11	186,154	-	-	13,733	-	199,887



**TABLE 2: Statutory Remuneration Data of Executives for the years ended 30 June 2011 and 2010**

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.

Executive	Year	Short-term employee benefits						Post employment benefits	Other long-term employee benefits	Share-based payments <sup>2,3</sup>		Total
		Salary	STI paid in current period	Retention Payment <sup>1</sup>	Termination Payments	Non monetary benefits	Total of short-term employee benefits	Super-annuation	LSL accrual	Equity settled	Cash Settled	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
M George	FY11	550,000	224,180	0	0	0	774,180	15,199	10,633	771,103	0	1,571,115
	FY10	550,000	0	220,000	0	0	770,000	14,461	9,178	647,215	0	1,440,854
G Dutailis	FY11	370,000	148,185	0	0	0	518,185	15,199	12,876	397,652	0	943,912
	FY10	370,000	0	160,000	0	0	530,000	14,461	6,174	336,552	0	887,187
D Richardson	FY11	255,000	58,725	0	0	0	313,725	15,199	6,606	95,819	0	431,349
	FY10	250,000	0	52,500	0	0	302,500	14,461	4,172	95,917	0	417,050
<b><i>New to FY11 Report</i></b>												
B Hopwood <sup>4</sup>	FY11	288,800	82,649	0	0	0	371,449	15,199	7,772	119,030	0	513,450
D Griffin <sup>5</sup>	FY11	306,000	81,091	0	0	0	387,091	15,199	947	69,173	0	472,410
C Baveystock <sup>6</sup>	FY11	186,154	0	0	0	0	186,154	13,733	464	0	0	200,351
<b>Total Remuneration of current Executives</b>	FY11	<b>1,955,954</b>	<b>594,830</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,550,784</b>	<b>89,728</b>	<b>39,298</b>	<b>1,452,777</b>	<b>0</b>	<b>4,132,587</b>
<b><i>Former Executives</i></b>												
A George <sup>7</sup>	FY11	304,365	42,888	0	127,289	0	474,542	13,284	0	-26,702	0	461,124
	FY10	173,654	0	0	0	0	173,654	7,231	2,898	26,702	0	210,485
G Dover <sup>8</sup>	FY11	185,000	301,731	0	205,441	0	692,172	11,399	0	-502,931	0	200,640
	FY10	370,000	0	160,000	0	0	530,000	14,461	6,174	336,552	0	887,187
<b>Total Remuneration including new and Former Executives</b>	FY11	<b>2,445,319</b>	<b>939,449</b>	<b>0</b>	<b>332,730</b>	<b>0</b>	<b>3,717,498</b>	<b>114,411</b>	<b>39,298</b>	<b>923,144</b>	<b>0</b>	<b>4,794,351</b>
	FY10	<b>1,713,654</b>	<b>0</b>	<b>592,500</b>	<b>0</b>	<b>0</b>	<b>2,306,154</b>	<b>65,075</b>	<b>28,595</b>	<b>1,442,938</b>	<b>0</b>	<b>3,842,763</b>

<sup>1</sup> Retention payments were the final retention payments made in accordance with the separation agreement with B&B.

<sup>2</sup> Share based payments includes Performance Rights and Options for FY09 Grant and Performance Rights only for FY10 and FY11 Grants.

<sup>3</sup> When an employee ceases to participate in the PR&O Plan due to the termination of employment, a negative value for share based payments appears in FY11 due to the expense that was previously recognised in relation to these performance rights or options being reversed.

<sup>4</sup> B Hopwood became a KMP on 1 February 2011.

<sup>5</sup> D Griffin is a relevant group executive from 1 July 2010.

<sup>6</sup> C Baveystock became a KMP on 14 March 2011.

<sup>7</sup> A George was retrenched on 13 May 2011 following a restructure of the Australian Business Unit.

<sup>8</sup> G Dover resigned effective 31 December 2010.

**TABLE 3: Remuneration Components as a Proportion of Total Remuneration**

The proportions of fixed remuneration to performance-based remuneration for FY11 are set out below.

Executive	Fixed remuneration <sup>1</sup>	Performance-based remuneration		Termination Payments	Total
		Cash STI	Share-based payments <sup>2</sup>		
M George	37%	14%	49%		100%
G Dutailis	42%	16%	42%		100%
B Hopwood	61%	16%	23%		100%
D Griffin	68%	17%	15%		100%
A George	69%	9%	-6%	28%	100%
D Richardson	64%	14%	22%		100%
C Baveystock	100%	0%	0%		100%
G Dover <sup>3</sup>	98%	150%	-250%	102%	100%

<sup>1</sup> Fixed remuneration consists of salary, non-monetary benefits, superannuation and long service leave.

<sup>2</sup> Share-based payments refer to the value of performance rights and options relating to IFN securities.

<sup>3</sup> The termination payment shown in this table represent the percentage of all payments made to G Dover in FY11 and is not a percentage of annual salary. G Dover's termination payment inclusive of statutory benefits was equal to 55% of his annual base salary at the date of termination.

**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 Payments'. 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 2011)			
		FY10 (\$)	FY11 (\$)	FY12 (\$)	FY13 (\$)	FY10 (\$)	FY11 (\$)	FY12 (\$)	FY13 (\$)
M George	FY09	646,555	646,555	138,670		168,682	168,682	38,617	
	FY11		124,548	166,977	166,520		70,010	93,860	93,604
	Total	646,555	771,103	305,647	166,520	168,682	238,692	132,477	93,604
G Dutailis	FY09	336,209	336,209	72,109		106,331	106,331	24,343	
	FY11		61,444	82,375	82,150		34,538	46,304	46,178
	Total	336,209	397,653	154,484	82,150	106,331	140,869	70,647	46,178
B Hopwood	FY09	100,863	100,863	21,633		31,899	31,899	7,303	
	FY11		18,168	24,357	24,290		10,212	13,691	13,654
	Total	100,863	119,031	45,990	24,290	31,899	42,111	20,994	13,654
D Griffin	FY10		29,576	39,651			16,625	22,289	
	FY11		39,597	53,086	52,941		22,258	29,840	29,759
	Total	0	69,173	92,737	52,941	0	38,883	52,129	29,759
D Richardson	FY09	95,819	95,819	20,551		30,304	30,304	6,938	
	Total	95,819	95,819	20,551	0	30,304	30,304	6,938	0

### **Legacy Performance Rights**

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

No performance rights in relation to IFN securities vested or became exercisable in FY11. All performance rights held as at 30 June 2011 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 and 30 June 2012 for Tranche 2 for the FY09 grant; 30 June 2013 for the FY10 grant (both tranches) and 30 June 2014 for the FY11 grants (both tranches). Any performance rights which do not vest after each single retest period will then lapse.

Infigen no longer employs six employees who participated in the FY09 Grant and one employee who participated in the FY10 Grant. Their performance rights under the FY09 and FY10 Grants have lapsed.

### **TABLE 5: Outstanding Performance Rights**

The table below provides details of outstanding performance rights relating to IFN securities that have been granted to Executives (FY09, FY10 and FY11 Grants). The performance rights are valued as at the deemed grant date.

Executive	Granted number	Grant date	Value per performance right (\$)	Total value of performance rights granted (\$)	Estimated vesting date	
					Tranche 1	Tranche 2
M George	1,112,925	27/03/2009	0.6255	696,135	31/12/2011	30/06/2012
	807,128	30/09/2010	0.5675	458,045	30/06/2013	30/06/2013
G Dutailis	578,721	27/03/2009	0.6255	361,990	31/12/2011	30/06/2012
	398,182	30/09/2010	0.5675	225,968	30/06/2013	30/06/2013
B Hopwood	173,616	27/03/2009	0.6255	108,597	31/12/2011	30/06/2012
	117,736	30/09/2010	0.5675	66,815	30/06/2013	30/06/2013
D Richardson	164,935	27/03/2009	0.6255	103,167	31/12/2011	30/06/2012
D Griffin	121,986	30/09/2010	0.5675	69,227	30/06/2012	30/06/2012
	256,604	30/09/2010	0.5675	145,623	30/06/2013	30/06/2013

### **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 FY11 LTI grants.

No options relating to IFN securities vested or were exercised during the year. All options held at 30 June 2011 are unvested and are not exercisable.

Six employees who participated in the FY09 Grant are no longer employed by Infigen. Their options under the FY09 Grant have lapsed.

## TABLE 6: Outstanding Options

The table below provides details of outstanding options relating to IFN securities which have been granted to executives. 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	Tranche 2 <sup>1</sup>	
M George	5,053,908	27/03/2009	0.209	1,056,267	0.897	31/12/2011	30/06/2012	31/12/2013
G Dutailis	2,628,032	27/03/2009	0.209	549,259	0.897	31/12/2011	30/06/2012	31/12/2013
B Hopwood	788,410	27/03/2009	0.209	164,778	0.897	31/12/2011	30/06/2012	31/12/2013
D Richardson	748,989	28/03/2009	0.209	156,539	0.897	31/12/2011	30/06/2012	31/12/2013

<sup>1</sup> Three year performance measurement period ended 30 June 2011. These Options are now in the 12 month retest period.

### Executive Employment Contracts

The base salaries for Executives as at 30 June 2011, in accordance with their employment contract, are as follows:

M George	\$550,000
G Dutailis	\$370,000
C Baveystock	\$300,000
B Hopwood	\$300,000
D Griffin	\$306,000
D Richardson	\$255,000

Employment contracts relating to the Executives contain the following conditions:

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Duration of contract	<ul style="list-style-type: none"><li>• Open-ended</li></ul>
Notice period to terminate the contract	<ul style="list-style-type: none"><li>• For M George and G Dutailis, their employment is able to be terminated by either party on 6 months' written notice. For B Hopwood, C Baveystock, D Griffin and D Richardson, 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.</li></ul>
Termination payments provided under the contract	<ul style="list-style-type: none"><li>• 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.</li></ul>

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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:



**Douglas Clemson**  
Director



**Miles George**  
Director

Sydney, 30 August 2011



## Auditor's Independence Declaration

As lead auditor for the audit of Infigen Energy Limited for the year ended 30 June 2011, 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 year.

A large, stylized handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

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

Darren Ross  
Partner

30 August 2011



## 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 2011, 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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*.





## Independent auditor's report to the members of Infigen Energy Limited (continued)

### *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 2011 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 8 to 18 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Darren Ross  
Partner

Sydney  
30 August 2011

## Consolidated financial statements for the year ended 30 June 2011

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## Consolidated statements of comprehensive income for the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000 (Restated) <sup>1</sup>
Revenue from continuing operations	3	285,319	282,567
Income from institutional equity partnerships	4	61,638	63,579
Other income	4	21,183	29,055
Operating expenses		(104,528)	(96,047)
Corporate costs		(18,650)	(21,808)
Other expenses	5	(3,119)	(12,099)
Depreciation and amortisation expense	5	(136,302)	(136,228)
Interest expense		(87,873)	(90,998)
Finance costs relating to institutional equity partnerships	5	(45,224)	(54,347)
Other finance costs	5	(6,918)	(8,112)
Significant non-recurring items	5	-	(9,658)
Share of net losses of associates accounted for using the equity method	13	(552)	(85)
<b>Net loss before income tax expense</b>		<b>(35,026)</b>	<b>(54,181)</b>
Income tax benefit / (expense)	7	9,017	(12,473)
Loss from continuing operations		<b>(26,009)</b>	<b>(66,654)</b>
Loss from discontinued operations	6	(34,985)	(7,707)
<b>Net loss for the year</b>		<b>(60,994)</b>	<b>(74,361)</b>
<b>Other comprehensive income – movements through equity</b>			
Changes in the fair value of cash flow hedges, net of tax	21(b)	46,643	(7,043)
Exchange differences on translation of foreign operations	21(a)	(45,517)	(41,195)
<b>Total comprehensive loss for the year, net of tax</b>		<b>(59,868)</b>	<b>(122,599)</b>
<b>Net loss for the year is attributable to stapled security holders as:</b>			
Equity holders of the parent		(60,090)	(71,236)
Equity holders of the other stapled entities (non-controlling interests)		(904)	(3,385)
		(60,994)	(74,621)
Other non-controlling interests		-	260
		<b>(60,994)</b>	<b>(74,361)</b>
<b>Total comprehensive loss for the year is attributable to stapled security holders as:</b>			
Equity holders of the parent		(58,964)	(119,474)
Equity holders of the other stapled entities (non-controlling interests)		(904)	(3,385)
		(59,868)	(122,859)
Other non-controlling interests		-	260
		<b>(59,868)</b>	<b>(122,599)</b>
<b>Earnings per share of the parent based on earnings from continuing operations attributable to the equity holders of the parent:</b>			
Basic (cents per security)	23	(3.3)	(7.9)
Diluted (cents per security)	23	(3.3)	(7.9)
<b>Earnings per share of the parent based on earnings attributable to the equity holders of the parent:</b>			
Basic (cents per security)	23	(7.9)	(8.9)
Diluted (cents per security)	23	(7.9)	(8.9)

<sup>1</sup>Refer to Note 1(a) for further information regarding the restatement.

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 2011

	Note	2011 \$'000	2010 \$'000 (Restated) <sup>1</sup>
<b>Current assets</b>			
Cash and cash equivalents	33(a)	304,875	219,891
Trade and other receivables	10	49,585	53,352
Inventory	11	9,070	3,204
<b>Total current assets</b>		<b>363,530</b>	<b>276,447</b>
<b>Non-current assets</b>			
Receivables	10	10,587	13,666
Derivative financial instruments	12	1,595	-
Investment in associates	13	765	3,543
Property, plant and equipment	14	2,460,112	3,110,894
Deferred tax assets	7	95,672	97,327
Intangible assets	15	316,459	393,038
<b>Total non-current assets</b>		<b>2,885,190</b>	<b>3,618,468</b>
<b>Total assets</b>		<b>3,248,720</b>	<b>3,894,915</b>
<b>Current liabilities</b>			
Trade and other payables	16	43,200	52,699
Borrowings	17	209,465	88,355
Derivative financial instruments	12	34,976	59,573
Current tax liabilities	7	4,348	2,394
Provisions	18	3,422	2,627
<b>Total current liabilities</b>		<b>295,411</b>	<b>205,648</b>
<b>Non-current liabilities</b>			
Payables	16	173	485
Borrowings	17	1,042,952	1,334,285
Derivative financial instruments	12	66,693	98,284
Provisions	18	290	239
Deferred tax liabilities	7	65,449	64,766
<b>Total non-current liabilities</b>		<b>1,175,557</b>	<b>1,498,059</b>
Institutional equity partnerships classified as liabilities	19	1,136,976	1,469,280
<b>Total liabilities</b>		<b>2,607,944</b>	<b>3,172,987</b>
<b>Net assets</b>		<b>640,776</b>	<b>721,928</b>
<b>Equity holders of the parent</b>			
Contributed equity	20	2,305	2,305
Reserves	21	(187,440)	(189,185)
Retained earnings	22	87,020	147,110
		<b>(98,115)</b>	<b>(39,770)</b>
<b>Equity holders of the other stapled entities (non-controlling interests)</b>			
Contributed equity	20	759,337	781,240
Reserves	21	-	-
Retained earnings	22	(20,446)	(19,542)
		<b>738,891</b>	<b>761,698</b>
<b>Total equity</b>		<b>640,776</b>	<b>721,928</b>

<sup>1</sup>Refer to Note 1(a) for further information regarding the restatement.

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 2011

	Note	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000 (Restated) <sup>1</sup>	Total \$'000 (Restated) <sup>1</sup>	Other non- controlling interests \$'000	Total equity \$'000 (Restated) <sup>1</sup>
<b>Total equity at 1 July 2009</b>		862,113	(148,828)	199,088	912,373	7,803	920,176
Adjustment on restatement (net of tax)	1(a)	-	-	3,101	3,101	-	3,101
<b>Restated total equity at 1 July 2009</b>		<b>862,113</b>	<b>(148,828)</b>	<b>202,189</b>	<b>915,474</b>	<b>7,803</b>	<b>923,277</b>
Net loss for the year		-	-	(73,763)	(73,763)	260	(73,503)
Changes in the fair value of cash flow hedges, net of tax	21(b)	-	(7,043)	-	(7,043)	-	(7,043)
Exchange differences on translation of foreign operations and movement in fair value	21(a)	-	(41,195)	-	(41,195)	-	(41,195)
Adjustment on restatement (net of tax)	1(a)	-	-	(858)	(858)	-	(858)
<b>Restated total comprehensive loss</b>		<b>-</b>	<b>(48,238)</b>	<b>(74,621)</b>	<b>(122,859)</b>	<b>260</b>	<b>(122,599)</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>							
Purchase of securities – on market buyback	20	(41,933)	-	-	(41,933)	-	(41,933)
Acquisition of non-controlling interests of subsidiaries	21(c)	-	5,797	-	5,797	(8,063)	(2,266)
Recognition of share-based payments	21(d)	-	2,084	-	2,084	-	2,084
Distributions paid	20, 24	(36,635)	-	-	(36,635)	-	(36,635)
<b>Total equity at 30 June 2010</b>		<b>783,545</b>	<b>(189,185)</b>	<b>127,568</b>	<b>721,928</b>	<b>-</b>	<b>721,928</b>
Net loss for the year		-	-	(60,994)	(60,994)	-	(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)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>1,126</b>	<b>(60,994)</b>	<b>(59,868)</b>	<b>-</b>	<b>(59,868)</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>							
Recognition of share-based payments	21(d)	-	619	-	619	-	619
Contributions of equity, net of transaction costs	20, 24	981	-	-	981	-	981
Distributions paid	20, 24	(22,884)	-	-	(22,884)	-	(22,884)
<b>Total equity at 30 June 2011</b>		<b>761,642</b>	<b>(187,440)</b>	<b>66,574</b>	<b>640,776</b>	<b>-</b>	<b>640,776</b>

<sup>1</sup>Refer to Note 1(a) for further information regarding the restatement.

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 2011

Note	2011 \$'000	2010 \$'000 (Restated) <sup>1</sup>
<b>Cash flows from operating activities</b>		
Loss for the period	(60,994)	(74,361)
Adjustments for:		
Interests in institutional equity partnerships	(16,414)	(9,232)
(Gain) / loss on revaluation for fair value through profit or loss financial assets – financial instruments	(3,497)	1,207
Loss on sale of investments	31,132	13,568
Depreciation and amortisation of non-current assets	146,329	150,561
Foreign exchange gain	(7,320)	(193)
Amortisation of share based expense	619	2,084
Amortisation of borrowing costs capitalised	787	5,611
Increase in current tax liability	1,933	346
(Decrease) / Increase in deferred tax balances	(9,569)	3,957
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	(15,122)	3,714
Other financial assets classified as operating activities	-	13,927
Increase / (decrease) in liabilities:		
Current payables	(2,507)	1,681
Non-current payables	(313)	(1,277)
<b>Net cash inflow from operating activities</b>	<b>65,064</b>	<b>111,593</b>
<b>Cash flows from investing activities</b>		
Proceeds on sale of controlled entities	169,707	93,916
Proceeds on sale of investment	-	450
Payment for property, plant and equipment	(71,448)	(122,621)
Payment for intangible assets	(14,160)	(15,641)
Payment for investments in controlled and jointly controlled entities	-	(5,170)
Payments in relation to potential and completed sales of overseas assets	(5,653)	-
Payment for investments in associates	-	(4,560)
Loans to related parties (associates)	-	(1,499)
<b>Net cash inflow / (outflow) from investing activities</b>	<b>78,446</b>	<b>(55,125)</b>
<b>Cash flows from financing activities</b>		
Payment for securities buy back	-	(42,696)
Proceeds from borrowings	32,742	20,525
Repayment of finance leases	(3,709)	(2,580)
Repayment of borrowings	(41,094)	(151,026)
Distributions paid to institutional equity partners	(17,646)	(14,714)
Distributions paid to security holders	(21,903)	(36,635)
<b>Net cash outflow from financing activities</b>	<b>(51,610)</b>	<b>(227,126)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>91,900</b>	<b>(170,658)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>219,891</b>	<b>399,275</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(6,916)	(8,726)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>304,875</b>	<b>219,891</b>

<sup>1</sup>Refer to Note 1(a) for further information regarding the restatement.

The above consolidated 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 36.

### **(a) Basis of preparation**

This 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*.

### *Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated and parent entity financial report of IEL complies with International Financial Reporting Standards (IFRS).

### *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.

### *Restatement of comparative information*

To align current and prior period presentation, some prior period balances have been reclassified to conform with current year presentation.

### *Discontinued Operations*

The Group disposed of its assets in Germany in June 2011. In the prior year, the Group disposed of its assets in France in April 2010. As a consequence of these disposals, for the years ended 30 June 2011 and 2010, the Group's previously held interests in Germany and France are classified as discontinued operations respectively.

Furthermore, under AASB 5, Non-current Assets Held for Sale and Discontinued Operations, the comparative information has been restated in respect of the results of the operations relating to assets in Germany.

**1. Summary of accounting policies (continued)**

**(a) Basis of preparation (continued)**

*Voluntary change in accounting policy - Revenue Recognition*

Renewable Energy Certificates ('RECs') are generated and held for sale in the ordinary course of business. RECs cost a nominal amount to register plus a share of production costs. RECs constitute a government grant as defined in AASB 120(3) as they are assistance from the Government in the form of transfers of resources. The Australian Accounting Standards provide a choice to recognise the grant either at cost (generally the nominal amount noted above) or at fair value. If the grant is recognised at fair value, the credit should be recognised immediately in the statement of comprehensive income.

Historically, the Group recognised RECs that had been generated at cost. Under this method the Group grossed up the balance sheet to recognise inventories at cost with an equal and opposite provision in deferred revenue until the time of sale. However, as a result of increasing REC generation, this policy would result in material period-on-period variations to revenue arising from movements in inventory levels rather than actual production and price movements.

Consequently, the Directors have elected to change the Group's accounting policy to recognise RECs at fair value with immediate recognition in the statement of comprehensive income in accordance with AASB120. By recognising the grants at fair value, income is recognised in the same period as the costs incurred, for which the grants are intended to compensate. The revised policy results in more relevant information of the economic outcome in relation to the generation of RECs in the period. As the change in accounting policy is voluntary, the effect of the change has been applied retrospectively.

Under the revised policy, RECs continue to be held on the balance sheet as inventory. AASB102 requires inventory to be held at the lower of cost and net realisable value at the end of each reporting period. Hence, where the market value of RECs falls, inventory is reduced and an expense is recorded through the statement of comprehensive income. 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.

The table below summarises the effect of the change in accounting policy and the exclusion of the discontinued operations on the prior corresponding year comparatives.

**1. Summary of accounting policies (continued)**

**Effect of Restatements: Income statement for the year ended 30 June 2010**

	30 June 2010 \$'000	Discontinued operations \$'000	Change in accounting policy \$'000	30 June 2010 (Restated) \$'000
Revenue from continuing operations	314,342	(30,549)	(1,226)	282,567
Income from institutional equity partnerships	63,579	-	-	63,579
Other income	21,380	7,675	-	29,055
Operating expenses	(104,764)	8,717	-	(96,047)
Corporate costs	(21,808)	-	-	(21,808)
Other expenses	(12,099)	-	-	(12,099)
Depreciation and amortisation expense	(146,658)	10,430	-	(136,228)
Interest expense	(93,864)	2,866	-	(90,998)
Finance costs relating to institutional equity partnerships	(54,347)	-	-	(54,347)
Other finance costs	(8,231)	119	-	(8,112)
Significant non-recurring items	(9,658)	-	-	(9,658)
Share of net losses of associates accounted for using the equity method	(85)	-	-	(85)
<b>Net loss before income tax expense</b>	<b>(52,213)</b>	<b>(742)</b>	<b>(1,226)</b>	<b>(54,181)</b>
Income tax (expense) / benefit	(12,321)	(520)	368	(12,473)
Loss from continuing operations	(64,534)	(1,262)	(858)	(66,654)
(Loss) / profit from discontinued operations	(8,969)	1,262	-	(7,707)
<b>Net loss for the period</b>	<b>(73,503)</b>	<b>-</b>	<b>(858)</b>	<b>(74,361)</b>
<b>Other comprehensive income – movements through equity</b>				
Changes in the fair value of cash flow hedges, net of tax	(7,043)	-	-	(7,043)
Exchange differences on the translation of foreign operations and movement in fair value of net investment hedges	(41,195)	-	-	(41,195)
<b>Tot comprehensive income / (loss) for the period, net of tax</b>	<b>(121,741)</b>	<b>-</b>	<b>(858)</b>	<b>(122,599)</b>
<b>Net loss for the period is attributable to stapled security holders as:</b>				
Equity holders of the parent	(70,378)	-	(858)	(71,236)
Equity holders of the other stapled entities (non-controlling interests)	(3,385)	-	-	(3,385)
	<b>(73,763)</b>	<b>-</b>	<b>(858)</b>	<b>(74,621)</b>
Non-controlling interest	260	-	-	260
	<b>(73,503)</b>	<b>-</b>	<b>(858)</b>	<b>(74,361)</b>
<b>Total comprehensive loss is attributable to stapled security holders as:</b>				
Equity holders of the parent	(118,616)	-	(858)	(119,474)
Equity holders of the other stapled entities (non-controlling interests)	(3,385)	-	-	(3,385)
	<b>(122,001)</b>	<b>-</b>	<b>(858)</b>	<b>(122,859)</b>
Non-controlling interest	260	-	-	260
	<b>(121,741)</b>	<b>-</b>	<b>(858)</b>	<b>(122,599)</b>
Earnings per share of the parent based on earnings from continuing operations attributable to the equity holders of the parent:				
Basic (cents per security)	<b>(7.7)</b>	-	(0.2)	<b>(7.9)</b>
Diluted (cents per security)	<b>(7.7)</b>	-	(0.2)	<b>(7.9)</b>

1. Summary of accounting policies (continued)

**Effect of Restatements: Balance sheet as at 30 June 2010**

	30 June 2010 \$'000	Change in accounting policy \$'000	30 June 2010 (Restated) \$'000	30 June 2009 \$'000	Change in accounting policy \$'000	30 June 2009 (Restated) \$'000
<b>Total current assets</b>	<b>276,447</b>	-	<b>276,447</b>	<b>465,608</b>	-	<b>465,608</b>
<b>Non-current assets</b>						
<b>Total non-current assets</b>	<b>3,618,468</b>	-	<b>3,618,468</b>	<b>3,924,235</b>	-	<b>3,924,235</b>
<b>Total assets</b>	<b>3,894,915</b>	-	<b>3,894,915</b>	<b>4,389,843</b>	-	<b>4,389,843</b>
<b>Current liabilities</b>						
Trade and other payables	55,903	(3,204)	52,699	65,972	(4,430)	61,542
<b>Total current liabilities</b>	<b>208,852</b>	<b>(3,204)</b>	<b>205,648</b>	<b>210,934</b>	<b>(4,430)</b>	<b>206,504</b>
<b>Non-current liabilities</b>						
Deferred tax liabilities	63,805	961	64,766	50,012	1,329	51,341
<b>Total non-current liabilities</b>	<b>1,497,098</b>	<b>961</b>	<b>1,498,059</b>	<b>1,691,671</b>	<b>1,329</b>	<b>1,693,000</b>
Institutional equity partnerships classified as liabilities	1,469,280	-	1,469,280	1567,062	-	1567,062
<b>Total liabilities</b>	<b>3,175,230</b>	<b>(2,243)</b>	<b>3,172,987</b>	<b>3,469,667</b>	<b>(3,101)</b>	<b>3,466,566</b>
<b>Net assets</b>	<b>719,685</b>	<b>2,243</b>	<b>721,928</b>	<b>920,176</b>	<b>3,101</b>	<b>923,277</b>
<b>Equity holders of the parent</b>						
Retained earnings	144,867	2,243	147,110	190,587	3,101	193,688
	<b>(42,013)</b>	<b>2,243</b>	<b>(39,770)</b>	<b>66,819</b>	<b>3,101</b>	<b>69,920</b>
<b>Equity holders of the other stapled entities (minority interests)</b>						
Retained earnings	(19,542)	-	(19,542)	8,501	-	8,501
	761,698	-	761,698	845,554	-	845,554
<b>Total equity</b>	<b>719,685</b>	<b>2,243</b>	<b>721,928</b>	<b>920,176</b>	<b>3,101</b>	<b>923,277</b>



**1. Summary of accounting policies (continued)**

**(b) Consolidated accounts**

UIG 1013: Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements require one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, IEL has been identified as the parent of the consolidated group comprising IEL and its controlled entities, IET and its controlled entities and IEBL.

In accordance with UIG 1013, consolidated financial statements have been prepared by IEL as the identified parent of Infigen. The financial statements of Infigen should be read in conjunction with the separate financial statements of IET for the period ended 30 June 2011.

AASB Interpretation 1002 Post-Date-of-Transition Stapling Arrangements applies to stapling arrangements occurring during annual reporting periods ending on or after 31 December 2005 where the identified parent does not obtain an ownership interest in the entity whose securities have been stapled. As a consequence of the stapling arrangement involving no acquisition consideration and no ownership interest being acquired by the combining entities, no goodwill is recognised in relation to the stapling arrangement and the interests of the equity holders in the stapled securities are treated as non-controlling interests.

While stapled arrangements occurring before the application of AASB Interpretation 1002 are grandfathered and can continue to be accounted for in accordance with the principles established in UIG 1013, for disclosure purposes and the fact that Infigen has entered into stapling arrangements both pre and post transition to AIFRS, the interests of the equity holders in all stapled securities (regardless of whether the stapling occurred pre or post transition to AIFRS) have been treated as minority interests under the principles established in AASB Interpretation 1002.

**(c) Principles of consolidation**

*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of IEL as at 30 June 2011 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.

**1. Summary of accounting policies (continued)**

**(c) Principles of consolidation (continued)**

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.

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.

**1. Summary of accounting policies (continued)**

**(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. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 minority 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.

**(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.

**(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.

**1. Summary of accounting policies (continued)**

**(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, net of residual values or scrap values, 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

**(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 and 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 cashflows of highly probable forecast transactions (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

**1. Summary of accounting policies (continued)**

**(j) Derivative financial instruments (continued)**

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.

*(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.

**1. Summary of accounting policies (continued)**

**(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 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 of IEL.

**(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.

**1. Summary of accounting policies (continued)**

**(m) Foreign currency translation (continued)**

(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.

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.

**1. Summary of accounting policies (continued)**

**(n) Income tax (continued)**

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.

*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 in reference to the tax jurisdiction in which the relevant entity resides.

*Tax consolidation*

IEL and its wholly-owned Australian controlled entities have implemented the 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.



**1. Summary of accounting policies (continued)**

**(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.

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.

**1. Summary of accounting policies (continued)**

**(p) Leased assets (continued)**

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.

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.

**1. Summary of accounting policies (continued)**

**(q) Impairment of assets (continued)**

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 distribution or dividend declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, 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.

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.

**1. Summary of accounting policies (continued)**

**(u) Revenue recognition (continued)**

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) Renewable Energy Certificates (RECs)*

In accordance with AASB 120 revenue from the sale of RECs is recognised at fair value when they are generated. RECs held in inventory are valued at the lower of cost and net realisable value.

*Change in accounting policy*

Historically the Group recognised RECs using the cost option once the REC was generated and deferred the recognition of the fair value of the REC until the time of sale. From 1 July 2010 this policy was changed to recognise the RECs at fair value at the point of the REC being generated. This voluntary change in accounting policy results in more relevant information of the economic outcome in relation to the generation of RECs in the period. Note 1(a) provides more information regarding the change in accounting policy and the resulting retrospective adjustments.

*(iv) Production Tax Credits (PTCs)*

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

*(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.

**1. Summary of accounting policies (continued)**

**(u) Revenue recognition (continued)**

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

*(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.

**1. 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 34).

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 co-ordinated 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.

**1. Summary of accounting policies (continued)**

**(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 reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(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 using the projected unit credit method. 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.

*(iii) Share-based payments*

Share-based compensation benefits are provided to the executives via the Performance Rights and Options Plan (PR&O Plan). Information relating to the PR&O Plan is set out in Note 25.

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

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.

**1. Summary of accounting policies (continued)**

**(aa) Employee benefits (continued)**

*(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.

**(ab) 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.

**(ac) 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.

**(ad) New accounting standards and UIG interpretations**

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2011 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.



**1. Summary of accounting policies (continued)**

**(ad) New accounting standards and UIG interpretations (continued)**

**(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)**

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group has applied the amended standard from 1 July 2011. The changes to AASB 124 will not have any effect on the financial statements of the Group.

**(iii) AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* (effective from 1 January 2011)**

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not have any defined benefit arrangements therefore the amendment is not expected to have any effect on the Group's financial statements. The Group intends to apply the amendment from 1 July 2011.

**(iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)**

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Group is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no effect on the financial statements of the entity.

**(v) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)**

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant effect on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.

**(vi) AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)**

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group has no investment property and therefore the amendment will have no effect on the financial statements of the entity.

**1. Summary of accounting policies (continued)**

**(ad) New accounting standards and UIG interpretations (continued)**

**(ii) IFRS 10, IFRS 11 and IFRS 12 and revised IAS 28 and IAS 27 – Consolidations, joint arrangements and associated disclosures** (effective for annual reporting periods commencing from 1 January 2013)

In May 2011, the IASB issued IFRS 10, IFRS 11 and IFRS 12 and revised IAS 28 and IAS 27 – Consolidations, joint arrangements and associated disclosures. IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 Consolidated and separate financial statements, and SIC-12 Consolidation – special purpose 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.

IFRS 10 introduces a single definition of control that applies to all entities. It focuses on the need to have power, rights or exposure to variable returns and the ability to use its power to affect those returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

IFRS 11 deals with joint arrangements. The accounting treatment for joint arrangements will depend on the contractual rights and obligations of participants rather than on the legal structure of the joint arrangement. The standard distinguishes between joint operations and joint ventures:

- A joint operation gives the parties that have joint control of the arrangement rights to the assets and obligations for the liabilities relating to the arrangement. This will be reflected in the accounting treatment, which is consistent with the current accounting for joint operations.
- A joint venture gives parties that have joint control of the arrangement rights to the net assets of the arrangement. Joint ventures must be accounted for using the equity method; proportionate consolidation of joint ventures will no longer be permitted.

IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11 and replaces the disclosure requirements currently found in IAS 27, IAS 28 and IAS 31. There are a number of new disclosures that are not currently required, for example information about each subsidiary that has a material non-controlling interest, details of risks associated with consolidated structured entities and information about interests in unconsolidated structured entities.

IAS 27 is renamed Separate financial statements and is now a standard dealing solely with separate financial statements. It does not introduce any significant changes. Amendments to IAS 28 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept.

At the time of writing, the AASB has not yet issued equivalent Australian standards.

The changes arising from IFRS 10 are not expected to have any effect on the financial statements of the Group. The changes arising from IFRS 11 are expected to alter the way the Group consolidates its interest in joint ventures. The Group presently applies the method of proportional consolidation when accounting for its jointly controlled arrangements in the US. Under IFRS11, the Group’s jointly controlled interests will need to be accounted for using the equity method. The changes will need to be applied in the financial statements for the year ending 30 June 2014, with adjustments made to comparative period figures. The Group is currently assessing the effect of the changes to IFRS 10, IFRS 11, IFRS12, IAS 27 and IAS 28.

**1. Summary of accounting policies (continued)**

**(ae) 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:

*(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.

**(af) Parent entity financial information**

The financial information for the parent entity, Infigen Energy Limited, disclosed in note 36, 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 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.

**1. Summary of accounting policies (continued)**

**(af) Parent entity financial information (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 are 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**

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

The segment information provided to the Board of Directors for the operating segments for the year ended 30 June 2011 is as follows:

	Australia \$'000	US \$'000	Total \$'000
<b>Year ended 30 June 2011</b>			
Statutory revenue			285,319
Revenue - non-controlling interests			(17,740)
Segment revenue (economic interest basis)	117,170	150,409	<b>267,579</b>
Segment EBITDA from Operations (economic interest)	86,011	81,118	167,129
Other income			758
Corporate costs			(18,650)
Development costs			(3,671)
EBITDA (economic interest basis)			<b>145,566</b>
<b>Year ended 30 June 2010</b>			
Statutory revenue			<b>282,567</b>
Revenue - non-controlling interests			(18,719)
Segment revenue (economic interest basis)	104,926	158,922	<b>263,848</b>
Segment EBITDA from Operations (economic interest)	84,830	87,022	<b>171,852</b>
Corporate costs			(21,808)
Development costs			(959)
EBITDA (economic interest basis)			<b>149,085</b>

The Board of Directors assesses the performance of the operating segments based on a measure of EBITDA (Segment EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

**2. Segment information (continued)**

**(b) Segment information provided to the Board of Directors (continued)**

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the corporate treasury function, which manages the cash position of the Group. The Board of Directors reviews 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:

	2011 \$'000	2010 \$'000 (Restated – refer Note 1(a))
Segment EBITDA	145,566	149,085
Non-controlling interests proportionally consolidated for segment reporting	13,662	14,135
Income from institutional equity partnerships	61,638	63,579
Other income	20,425	29,055
Other income relating to discontinued operations	-	448
Expenses relating to potential sale of overseas assets	-	(11,140)
Depreciation and amortisation expense	(136,302)	(136,228)
Interest expense	(87,873)	(90,998)
Finance costs relating to institutional equity partnerships	(45,224)	(54,347)
Other finance costs	(6,918)	(8,112)
Significant non-recurring items	-	(9,658)
Net loss before income tax expense and discontinued operations	(35,026)	(54,181)

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

	Australia \$'000	US \$'000	Germany (Discontinued) \$'000	Total \$'000
<b>Year ended 30 June 2011</b>				
Current assets	273,056	90,474	-	363,530
Non-current assets	1,231,817	1,653,373	-	2,885,190
<b>Total</b>	<b>1,504,873</b>	<b>1,743,847</b>	<b>-</b>	<b>3,248,720</b>
<b>Year ended 30 June 2010</b>				
Current assets	157,697	78,399	40,351	276,447
Non-current assets	1,184,227	2,178,431	255,810	3,618,468
<b>Total</b>	<b>1,341,924</b>	<b>2,256,830</b>	<b>296,161</b>	<b>3,894,915</b>

**3. Revenue**

	2011 \$'000	2010 \$'000 (Restated – refer Note 1(a))
<b>From continuing operations</b>		
Sale of energy and environmental products <sup>1</sup>	45,645	49,076
Lease of plant and equipment <sup>2</sup>	233,323	210,440
Compensation for revenues lost as a result of O&M providers not meeting contracted turbine availability targets	1,478	14,816
Asset management services	4,624	8,235
Grant revenue	249	-
	<b>285,319</b>	<b>282,567</b>
<b>From discontinued operations (Note 6)</b>		
Sale of energy and environmental products <sup>1</sup>	24,351	41,763
	<b>24,351</b>	<b>41,763</b>

<sup>1</sup> Includes revenue from the sale of electricity and from the generation of environmental certificates. The Group generates environmental certificates (including RECs) and sells them under contractual arrangements and on market. As described in note 1(a) there was a voluntary change in accounting for RECs during the year ended 30 June 2011. REC revenue is now recognised at fair value when generated. Accordingly the corresponding figures have been restated.

<sup>2</sup> 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**

	2011 \$'000	2010 \$'000 (Restated – refer Note 1(a))
<b>From continuing operations:</b>		
<b>Income from institutional equity partnerships (note 19)</b>		
Value of production tax credits offset against Class A liability	81,939	85,413
Value of tax losses offset against Class A liability	14,936	49,414
Benefits deferred during the period	(35,237)	(71,248)
	<b>61,638</b>	<b>63,579</b>
<b>Other</b>		
Interest income: Related parties (note 31(c))	7,936	8,314
Interest income: Institutions	5,927	7,007
Net foreign exchange gains	7,320	13,734
	<b>21,183</b>	<b>29,055</b>

**5. Expenses**

	2011 \$'000	2010 \$'000 (Restated – refer Note 1(a))
<b>From continuing operations:</b>		
<b>Loss before income tax has been arrived at after charging the following</b>		
<b>Other expenses:</b>		
Development costs	1,341	316
Loss on sale of investment	314	643
Expenses relating to non-viable projects	1,464	-
Expenses relating to potential sale of overseas assets – costs of hedging expected foreign currency proceeds	-	8,041
Expenses relating to potential sale of overseas assets – other costs	-	3,099
	<b>3,119</b>	<b>12,099</b>
<b>Depreciation and amortisation expense:</b>		
Depreciation of property, plant and equipment	121,271	120,387
Amortisation of intangible assets	15,031	15,841
	<b>136,302</b>	<b>136,228</b>
<b>Finance costs relating to institutional equity partnerships:</b>		
Allocation of return on outstanding Class A liability <sup>1</sup>	46,950	57,377
Movement in residual interest (Class A) <sup>1</sup>	(6,317)	(7,396)
Movement in non-controlling interest (Class B) <sup>1</sup>	4,591	4,366
	<b>45,224</b>	<b>54,347</b>
<b>Other finance costs:</b>		
Fair value losses on financial instruments <sup>2</sup>	5,141	1,207
Bank fees and loan amortisation costs	1,777	6,905
	<b>6,918</b>	<b>8,112</b>
<b>Significant non-recurring items:</b>		
Transition-related expenses <sup>3</sup>	-	9,658
	-	<b>9,658</b>

<sup>1</sup> Refer Note 19 for further details.

<sup>2</sup> Included within fair value losses on financial instruments 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 an unrealised loss taken to reserves. This was subsequently reversed upon termination.

<sup>3</sup> As a consequence of terminating agreements associated with the former external manager in 2009, Infigen Energy has undertaken transition programs in Australia and the US. During the year ended 30 June 2011, the Group did not incur an expense (2010: \$9,658,000) in relation to the transition program in the US.



**6. Discontinued operations**

**(a) Details of disposed operations**

*Sale of German portfolio*

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.

*Sale of French portfolio*

During the year ended 30 June 2010, Infigen sold its portfolio of wind farms in France. The sale and settlement occurred simultaneously in April 2010.

**(b) Financial performance**

The results of the discontinued operations for the years ended 30 June 2011 and 30 June 2010, respectively, through to disposal are presented below:

	30 June 2011		30 June 2010		
	Germany \$'000	Total \$'000	Germany \$'000	France \$'000	Total \$'000
Revenue (Note 3)	24,351	24,351	30,549	11,214	41,763
Other income	872	872	639	15	654
Expenses	(28,418)	(28,418)	(30,446)	(6,235)	(36,681)
(Loss) / profit before income tax	(3,195)	(3,195)	742	4,994	5,736
Income tax (expense) / benefit	(658)	(658)	520	(1,038)	(518)
<b>(Loss) / profit after income tax of discontinued operations</b>	<b>(3,853)</b>	<b>(3,853)</b>	<b>1,262</b>	<b>3,956</b>	<b>5,218</b>
Loss on sale of subsidiary after income tax	(31,132)	(31,132)	-	(12,925)	(12,925)
<b>(Loss) / profit from discontinued operations</b>	<b>(34,985)</b>	<b>(34,985)</b>	<b>1,262</b>	<b>(8,969)</b>	<b>(7,707)</b>

**(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
<b>Total assets</b>	<b>231,899</b>
Payables	1,537
Deferred tax liabilities	527
Finance leases	35,167
<b>Total liabilities</b>	<b>37,231</b>
<b>Net assets attributable to discontinued operations</b>	<b>194,668</b>

**6. Discontinued operations (continued)**

**(d) Cash flow information of the German disposed entities**

	30 June 2011 \$'000	30 June 2010 \$'000
Net cash inflow from operating activities	14,440	11,564
Net cash outflow from investing activities	(7,053)	(49,058)
Net cash (outflow) / inflow from financing activities	(5,027)	25,969
<b>Net cash inflow / (outflow)</b>	<b>2,360</b>	<b>(11,525)</b>

**(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	-
<b>Loss on sale after income tax</b>	<b>(31,132)<sup>1</sup></b>
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)
<b>Proceeds on sale of subsidiary, net of cash disposed</b>	<b>169,707</b>
Less: Estimated interest rate swap close out costs	(6,171)
<b>Net cash to be received from sale</b>	<b>163,536</b>

<sup>1</sup>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.

**(f) Contingent liability relating to the German disposed entities**

Under the terms of the sale the Group was required to place a cash sum of EUR 5.1m (or approx \$6.3m) in an escrow account as collateral for a potential reimbursement obligation. All or part of the escrowed funds may be retained by the Group upon the satisfaction of certain conditions. Refer to note 27 for further details.

**6. Discontinued operations (continued)**

**(g) Major classes of assets and liabilities of the French disposed entities**

	<b>As at 6 April 2010 \$'000</b>
Cash	2,296
Receivables	2,673
Property, plant and equipment	83,763
Intangibles	20,778
Other assets	4,598
<b>Total assets</b>	<b>114,108</b>
Trade creditors	1,473
Deferred tax liabilities	342
Derivative financial instruments	5,452
<b>Total liabilities</b>	<b>7,267</b>
<b>Net assets attributable to discontinued operations</b>	<b>106,841</b>

**(h) Cash flow information of the French disposed entities**

	<b>30 Jun 2010 \$'000</b>	<b>30 Jun 2009 \$'000</b>
Net cash inflow from operating activities	7,651	12,358
Net cash outflow from investing activities	(3,841)	(14,819)
Net cash (outflow) / inflow from financing activities	(6,609)	5,045
<b>Net cash (outflow) / inflow</b>	<b>(2,799)</b>	<b>2,584</b>

**(i) Details of the sale of the French entity**

	<b>6 April 2010 \$'000</b>
Consideration received:	
Cash received from sale	93,916
Infigen's share of net assets attributable to discontinued operations	(106,841)
Loss on sale before income tax	(12,925)
Income tax expense	-
<b>Loss on sale after income tax</b>	<b>(12,925)<sup>1</sup></b>
Net cash inflow on disposal:	
Cash and cash equivalents consideration	104,027
Less: Cash and cash equivalents balance disposed of	(2,296)
Less: Transaction costs	(2,363)
Less: Interest rate swap close out costs	(5,452)
<b>Proceeds on sale of subsidiary, net of cash disposed</b>	<b>93,916</b>

<sup>1</sup>Loss on sale after income tax comprises loss on disposal of investment in French entities of \$5,110,000, financing costs of \$5,452,000 and transaction costs of \$2,363,000.

**7. Income taxes and deferred taxes**

**(a) Income tax expense**

	2011 \$'000	2010 \$'000 (Restated – refer Note 1(a))
Current tax	(10,741)	(4,143)
Deferred tax	2,382	17,134
	<b>(8,359)</b>	<b>12,991</b>
<i>Income tax (benefit) / expense is attributable to:</i>		
(Loss) / profit from continuing operations	(9,017)	12,473
Loss from discontinued operations (Note 6(a))	658	518
Aggregate income tax expense	<b>(8,359)</b>	<b>12,991</b>
<i>Deferred income tax expense included in income tax (benefit) / expense comprises:</i>		
Increase in deferred tax assets	(1,128)	(5,366)
Increase in deferred tax liabilities	3,510	22,500
	<b>2,382</b>	<b>17,134</b>

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

	2011 \$'000	2010 \$'000 (Restated – refer Note 1(a))
Loss from continuing operations before income tax expense	(35,026)	(54,181)
Loss from discontinued operations before income tax expense (Note 6)	(34,327)	(7,189)
	<b>(69,353)</b>	<b>(61,370)</b>
Income tax benefit calculated at 30% (2010: 30%)	(20,806)	(18,411)
Increase / (decrease) in tax benefit due to:		
Tax losses not recognised as an asset	7,385	20,632
Non-deductible expenses resulting from sale of foreign assets	8,932	932
Amortisation of intangibles	-	432
Non-deductible interest expense	-	218
Unrealised foreign exchange movement	(3,312)	2,591
Sundry items	(45)	(195)
Difference in overseas tax rates	-	(109)
Assessable (income) / expense recognised on internal reorganisation	(513)	6,901
Income tax (benefit) / expense	<b>(8,359)</b>	<b>12,991</b>

**(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:

Deferred tax asset	2,783	(3,619)
Deferred tax liabilities	2,827	(3,288)
Net deferred tax	<b>5,610</b>	<b>(6,907)</b>

**(d) Tax losses**

Unused tax losses for which no deferred tax asset has been recognised	(299,837)	(272,174)
Potential tax benefit @ 30%	<b>89,951</b>	<b>81,652</b>

**7. Income taxes and deferred taxes (continued)**

**(e) Tax consolidation**

IEL and its wholly-owned Australian resident entities have formed a 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**

Income tax payable attributable to:  
Australian entities in the Group  
Overseas entities in the Group

	2011 \$'000	2010 \$'000
	-	1,585
	4,348	809
	<b>4,348</b>	<b>2,394</b>

**Year ended 30 June 2011**

**Gross deferred tax assets:**

	Opening balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ disposals \$'000	Closing balance \$'000
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
	<b>97,327</b>	<b>1,128</b>	<b>(2,783)</b>	-	<b>95,672</b>

**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)
	<b>(64,766)</b>	<b>(4,037)</b>	<b>2,827</b>	<b>527</b>	<b>(65,449)</b>

**7. Income taxes and deferred taxes (continued)**

	Opening balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ disposals \$'000	Closing balance \$'000
<b>Year ended 30 June 2010</b>					
<b>Gross deferred tax assets:</b>					
Unused revenue tax losses	58,782	5,483	-	-	64,265
Deductible equity raising costs	168	(168)	-	-	-
Effect of hedge movements	23,120	-	3,619	-	26,739
Unrealised foreign exchange loss	1,877	4,446	-	-	6,323
Other	4,395	(4,395)	-	-	-
	<b>88,342</b>	<b>5,366</b>	<b>3,619</b>	<b>-</b>	<b>97,327</b>
<b>Gross deferred tax liabilities:</b>					
Depreciation	(45,192)	(7,406)	-	-	(52,598)
Effect of hedge movements	(2,647)	-	2,647	-	-
Unrealised foreign exchange gains	(2,233)	(8,366)	641	-	(9,958)
Other	60	(6,728)	-	4,458	(2,210)
	<b>(50,012)</b>	<b>(22,500)</b>	<b>3,288</b>	<b>4,458</b>	<b>(64,766)</b>

	2011 \$'000	2010 \$'000
Deferred tax assets to be recovered within 12 months	-	-
Deferred tax assets to be recovered after more than 12 months	95,672	97,327
	<b>95,672</b>	<b>97,327</b>
Deferred tax liabilities to be settled within 12 months	-	-
Deferred tax liabilities to be settled after more than 12 months	65,449	64,766
	<b>65,449</b>	<b>64,766</b>

**8. Key management personnel remuneration**

**Details of key management personnel**

The following Directors were Key Management Personnel (KMP) of Infigen during the 2011 financial year ending 30 June 2011:

- Michael Hutchinson (appointed Chairman 12 November 2010)
- Miles George
- Douglas Clemson
- Philip Green (appointed 18 November 2010)
- Fiona Harris (appointed 21 June 2011)
- Anthony Battle (retired 18 November 2010)
- Graham Kelly (resigned 12 November 2010)

**8. Key management personnel remuneration (continued)**

Other KMP of Infigen were:

Name	Role	2011	2010
M George	Chief Executive Officer	✓	✓
G Dutailis	Chief Operating Officer	✓	✓
C Baveystock <sup>2</sup>	Chief Financial Officer	✓	x
B Hopwood	General Manager – Corporate Finance	✓	x
G Dover <sup>1</sup>	Chief Financial Officer	✓	✓

<sup>1</sup> Resigned 31 December 2010

<sup>2</sup> Appointed 14 March 2011

**Key management personnel remuneration**

The aggregate remuneration of KMP of Infigen for the years ended 30 June 2011 and 2010 is set out below:

	2011 \$	2010 \$
Short-term employee benefits	2,987,792	2,430,622
Post-employment benefits (superannuation)	107,809	93,762
Other long-term benefits and share-based incentive expense allocation <sup>3</sup>	816,599	1,341,845
<b>Total</b>	<b>3,912,200</b>	<b>3,866,229</b>

<sup>3</sup> Other long-term benefits and share-based incentive expense allocations are subject to performance rights vesting in the future.

**Rights, options and awards held over Infigen securities**

Performance rights and options over Infigen securities were granted to certain KMP in year ended 30 June 2009 under the Performance Rights & Options (PR&O) Plan. During the year ended 30 June 2011 Performance Rights were granted to KMP under the PR&O Plan.

No performance rights or options over Infigen securities vested or became exercisable in the years ended 30 June 2011 and 2010. No Infigen securities were acquired by KMP as a result of the exercise of options during the year ended 30 June 2011 and 2010.

Performance rights and options held by KMP over Infigen securities over the period 1 July 2010 to 30 June 2011 are set out below. The expense recognised in relation to the performance rights and options under the PR&O Plan is recorded within corporate costs.

**8. Key management personnel remuneration (continued)**

Set out below are summaries of the number of **performance rights** granted:

	Balance at 1 July 2009 and 1 July 2010	Granted	Vested	Other changes	Balance at 30 June 2011
M George	1,112,925	807,128	-	-	1,920,053
G Dutailis	578,721	398,182	-	-	976,903
B Hopwood	173,616	117,736	-	-	291,352
G Dover	578,721	-	-	(578,721)	-

Refer to the table titled "Outstanding Performance Rights" in the Directors' report for further details of the balances held at 30 June 2011.

There has been no change in options granted during year ended 30 June 2011.

Set out below are summaries of **options** granted:

	Balance at 1 July 2009 and 1 July 2010	Granted	Vested	Other changes	Balance at 30 June 2011
M George	5,053,908	-	-	-	5,053,908
G Dutailis	2,628,032	-	-	-	2,628,032
B Hopwood	788,410	-	-	-	788,410
G Dover	2,628,032	-	-	(2,628,032)	-

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

**Security holdings in Infigen**

No Infigen securities were granted as remuneration to KMP during the years ended 30 June 2011 and 2010. Security holdings of KMPs, including their personally related parties, in Infigen securities over the period 1 July 2009 to 30 June 2011 are set out below. There was no movement in security holdings of KMP during the year ended 30 June 2011.

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

	Balance at 1 July 2009 and 1 July 2010	Acquired during 2011	Sold during 2011	Balance at 30 June 2011
M Hutchinson	-	-	-	-
D Clemson	140,000	-	-	140,000
P Green <sup>1</sup>	-	-	-	-
F Harris	-	-	-	-
A Battle	42,634	-	-	N/A
G Kelly	10,000	-	-	N/A
M George	500,000	-	-	500,000
G Dutailis	641,820	-	-	641,820
C Baveystock	-	-	-	-
B Hopwood	10,000	-	-	10,000
G Dover	10,000	-	-	N/A

<sup>1</sup> 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.

**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 2011 and 2010. There are no other transactions with 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:

	2011 \$	2010 \$
<b>PricewaterhouseCoopers Australia</b>		
<i>(i) Audit and other assurance services</i>		
Audit and review of the financial statements	1,329,132	1,399,618
<b>Total remuneration for audit and other assurance services</b>	<b>1,329,132</b>	<b>1,399,618</b>
<i>(ii) Taxation services</i>		
Tax advice	38,000	-
<b>Total remuneration for taxation services</b>	<b>38,000</b>	<b>-</b>
<i>(iii) Other services</i>		
<i>Other services</i>	69,000	63,500
	<b>69,000</b>	<b>63,500</b>
<b>Total remuneration PWC Australia</b>	<b>1,436,132</b>	<b>1,463,118</b>
<b>Non-PWC audit firms</b>		
<i>(ii) Other assurance services</i>		
Audit and review of subsidiaries' financial statements	310,190	337,778
<b>Total remuneration for other assurance related services</b>	<b>310,190</b>	<b>337,778</b>
<b>Total auditors' remuneration</b>	<b>1,746,322</b>	<b>1,800,896</b>

**10. Trade and other receivables**

	2011 \$'000	2010 \$'000
<b>Current</b>		
Trade receivables	33,906	32,425
Amounts due from related parties - associates (Note 31(c))	399	328
Prepayments (Note 10(f))	12,424	16,376
Other receivables	2,856	4,223
	<b>49,585</b>	<b>53,352</b>
<b>Non-current</b>		
Amounts due from related parties - associates (Note 31(c))	819	1,171
Prepayments (Note 10(f))	9,768	12,495
	<b>10,587</b>	<b>13,666</b>

**(a) Past due but not impaired**

As at 30 June 2011, trade receivables of \$2,812,400 (2010: \$2,033,000) were past due but not impaired. Refer to Note 34(b) for more information. These relate 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.

**10. Trade and other receivables (continued)**

**(b) Impairment of trade receivables**

There were no impaired trade receivables for the Group in 2011 or 2010.

**(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 34.

**(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 34 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 \$11,551,000 (2010: \$15,149,000) of prepaid operational expenses. Included within non-current prepayments is \$9,768,000 (2010: \$12,296,000) of prepaid operational expenses.

**11. Inventory**

Inventory – Environmental Certificates

2011 \$'000	2010 \$'000
9,070	3,204
<b>9,070</b>	<b>3,204</b>

**12. Derivative financial instruments**

**Non-current assets**

At fair value: Interest rate swaps – cash flow hedges

2011 \$'000	2010 \$'000
1,595	
<b>1,595</b>	-

**Current liabilities**

At fair value: Interest rate swaps – cash flow hedges

34,976	59,573
<b>34,976</b>	<b>59,573</b>

**Non-current liabilities**

At fair value: Interest rate swaps – cash flow hedges

66,693	98,284
<b>66,693</b>	<b>98,284</b>

Refer to Note 34 for further information.

**13. Investments in associates**

**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 30).

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').

In connection with the above transactions, the Group acquired development rights of \$7,240,000 relating to 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 incurred \$1,400,000 in connection with this development.

**Year ended 30 June 2010**

The Group acquired interests in a pipeline of development projects in Australia and New Zealand, which included interests in shares in various entities, development rights and land. These interests ranged from 32% to 50%, depending on the entity, each of which has been treated as an associate. The Group paid \$4,560,000 for the interests in the shares in these development entities and has equity accounted its interests.

**(a) Movements in carrying amounts**

	2011 \$'000	2010 \$'000
Carrying amount at the beginning of the financial year	3,543	-
Additions during the year	1,400	4,560
Share of loss after income tax	(552)	(85)
Transferred to intangible assets	(2,237)	-
Disposal of carrying value of investments	(1,389)	(932)
Carrying amount at the end of the financial year	<b>765</b>	<b>3,543</b>

**(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:

Assets	1,290	408
Liabilities	738	572
Revenues	-	-
Loss	(552)	(85)

**(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
<b>At 1 July 2009</b>			
Cost or fair value	359,780	3,286,428	3,646,208
Accumulated depreciation	-	(249,995)	(249,995)
Net book value	<b>359,780</b>	<b>3,036,433</b>	<b>3,396,213</b>
<b>Year ended 30 June 2010</b>			
Opening net book value	359,780	3,036,433	3,396,213
Additions	91,765	10,454	102,219
Transfers	(415,858)	415,858	-
Disposals	-	(83,763)	(83,763)
Depreciation expense	-	(134,026)	(134,026)
Net foreign currency exchange differences	-	(169,749)	(169,749)
Closing net book value	<b>35,687</b>	<b>3,075,207</b>	<b>3,110,894</b>
<b>At 30 June 2010</b>			
Cost or fair value	35,687	3,442,706	3,478,393
Accumulated depreciation	-	(367,499)	(367,499)
Net book value	<b>35,687</b>	<b>3,075,207</b>	<b>3,110,894</b>
<b>Year ended 30 June 2011</b>			
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	<b>96,332</b>	<b>2,363,780</b>	<b>2,460,112</b>
<b>At 30 June 2011</b>			
Cost or fair value	96,332	2,772,542	2,868,874
Accumulated depreciation	-	(408,762)	(408,762)
Net book value	<b>96,332</b>	<b>2,363,780</b>	<b>2,460,112</b>

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.

In year ended 30 June 2010 the Group had certain assets with net book value of \$39,742,000 which were accounted for under finance leases. In the year ended 30 June 2011 these were sold as part of the sale of the Group's German portfolio. Refer Notes 6 and 28.

**15. Intangible assets**

	Goodwill \$'000	Development assets \$'000	Project-related agreements and licences \$'000	Total \$'000
<b>At 1 July 2009</b>				
Cost	27,455	-	427,331	454,786
Accumulated amortisation and impairment	-	-	(25,626)	(25,626)
Net book value	27,455	-	401,705	429,160
<b>Year ended 30 June 2010</b>				
Opening net book value	27,455	-	401,705	429,160
Additions	-	9,127	-	9,127
Acquisitions through business combinations	-	6,320	6,275	12,595
Disposals	-	-	(20,778)	(20,778)
Amortisation expense (i)	-	-	(16,535)	(16,535)
Net foreign currency exchange differences	(998)	-	(19,533)	(20,531)
Closing net book value	26,457	15,447	351,134	393,038
<b>At 30 June 2010</b>				
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
<b>Year ended 30 June 2011</b>				
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 (i)	-	-	(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
<b>At 30 June 2011</b>				
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

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

**15. Intangible assets (continued)**

**(a) Impairment tests for goodwill**

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country of operation.

A segment-level summary of the goodwill allocation is presented below.

	2011 \$'000	2010 \$'000
Australia	15,136	15,136
Germany	-	7,135
United States	3,333	4,186
	<b>18,469</b>	<b>26,457</b>

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

**(b) Key assumptions for value-in-use calculations**

The Group makes assumptions in calculating the value-in-use of its CGUs including assumptions around expected wind resources, availability, prices and operating expenses. In performing these calculations for each CGU, the Group has applied pre-tax discount rates in the range of 9% - 11% (2010: 8% - 10%). The discount rates used reflect specific risks relating to the relevant countries in which they operate.

In determining future cash flows, the Group uses long-term mean energy production estimates to reflect the currently expected performance of the assets throughout the budget period. The long-term mean energy production is estimated by independent technical consultants on behalf of the Group for each wind farm.

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.

**(c) 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.

**(d) 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**

	2011 \$'000	2010 \$'000 (Restated – refer Note 1(a))
<b>Current</b>		
Trade payables and accruals	26,661	33,224
Interest payable	1,433	102
Goods and services and other taxes payable	6,739	10,144
Deferred income	5,747	916
Other (i)	2,620	8,313
	<b>43,200</b>	<b>52,699</b>
<b>Non-current</b>		
Other	173	485
	<b>173</b>	<b>485</b>

(i) Includes employee benefits and an accrual for annual leave. The entire obligation for annual leave is presented as current because the Group does not have an unconditional right to defer payment. The prior year balance includes other non-recurring expenses related to the US transition process.

**17. Borrowings**

	2011 \$'000	2010 \$'000
<b>Current</b>		
<u>Secured</u>		
<b>At amortised cost:</b>		
Global Facility (i)	209,465	85,817
Finance lease liabilities (Note 28)	-	2,538
	<b>209,465</b>	<b>88,355</b>
<b>Non-current</b>		
<u>Secured</u>		
<b>At amortised cost:</b>		
Global Facility (i)	1,021,457	1,308,757
Project finance debt – Woodlawn (ii)	32,742	-
Capitalised loan costs	(11,247)	(11,676)
	1,042,952	1,297,081
Finance lease liabilities (Note 28)	-	37,204
	<b>1,042,952</b>	<b>1,334,285</b>
<b>(a) Reconciliation of borrowings</b>		
Opening balance	1,422,640	1,649,104
Finance lease repayments	(3,709)	(2,580)
Finance leases disposed	(35,167)	-
Debt repayments	(41,094)	(151,026)
Draw down from project financing (ii)	32,742	-
Draw down from Global Facility	-	17,905
Other financing arrangements	-	2,620
Net loan costs capitalised	(1,312)	5,583
Net foreign currency exchange differences	(121,683)	(98,966)
Closing balance	<b>1,252,417</b>	<b>1,422,640</b>

**17. Borrowings (continued)**

**(b) Capitalised borrowing costs**

	2011 \$'000	2010 \$'000
Borrowing costs capitalised during the financial year	1,948	5,152
Weighted average capitalisation rate on funds borrowed	6.0%	6.6%

Where borrowing costs are directly attributable to the construction of a qualifying asset, they are capitalised as part of the cost of that asset.

**(c) Borrowings by currency**

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

	Total Borrowings (Local curr '000)	Total Borrowings (AUD '000)
<b>As at 30 June 2011</b>		
Australian dollars	655,219	655,219
Euro – debt	133,175	180,454
Euro – finance lease	-	-
US dollars	458,281	427,991
<b>Gross debt</b>		<b>1,263,664</b>
Less capitalised loan costs		(11,247)
<b>Total debt</b>		<b>1,252,417</b>
<b>As at 30 June 2010</b>		
Australian dollars	649,048	649,048
Euro – debt	139,935	200,609
Euro – finance lease	27,722	39,742
US dollars	464,460	544,917
<b>Gross debt</b>		<b>1,434,316</b>
Less capitalised loan costs		(11,676)
<b>Total debt</b>		<b>1,422,640</b>

On 6 July 2011, the Group repaid \$154,264,000 of Global Facility debt in relation to the disposal of German assets.

A breakdown of the value of the Group's drawn down funds by currency prior to and following this repayment is presented in the following table:

	Opening balance 1 July 2011 (Local curr '000)	Repayments 6 July 2011 (Local curr '000)	Total Borrowings (Local curr '000)	Total Borrowings (AUD '000)
<b>As at 6 July 2011</b>				
Australian dollars	655,219	77,936	577,283	577,283
Euro	133,175	16,725	116,450	157,792
US dollars	458,281	57,379	400,902	374,325
<b>Gross debt</b>				<b>1,109,400</b>
Less capitalised loan costs				(11,247)
<b>Total debt</b>				<b>1,098,153</b>



## 17. Borrowings (continued)

### (i) Global Facility

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
- 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.

### **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 2011 repayments of \$41,094,000 were made. On 6 July 2011, \$154,264,000 of Global Facility debt was repaid 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 34).

## 17. Borrowings (continued)

### **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.

### **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 which 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.

### **Amounts outstanding under the Project Finance facility**

The amounts outstanding under the project finance facility are denominated in AUD to match the underlying currency of operations. The amounts outstanding during the construction phase represent a percentage of completion basis.

### **Principal repayments under the Project finance facility**

The borrower is required to make debt repayments on a quarterly basis.

**17. Borrowings (continued)**

**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 have security over the shares in, and assets and undertaking, of Woodlawn Wind Pty Ltd.

**18. Provisions**

	2011 \$'000	2010 \$'000
<b>Current</b>		
Employee benefits	3,422	2,627
	<b>3,422</b>	<b>2,627</b>
<b>Non-current</b>		
Employee benefits	290	239
	<b>290</b>	<b>239</b>

**Employee benefits**

The current provision for employee benefits includes 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.

**19. Institutional equity partnerships classified as liabilities (continued)**

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 35 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.

**19. 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Components of institutional equity partnerships:</b>						
<b>At 1 July</b>	879,164	1,016,042	82,445	96,040	961,609	1,112,082
Distributions	(1,207)	(1,573)	(16,439)	(13,141)	(17,646)	(14,714)
Value of production tax credits offset against Class A liability	(81,939)	(85,413)	-	-	(81,939)	(85,413)
Value of tax losses offset against Class A liability <sup>1</sup>	(14,936)	(49,414)	-	-	(14,936)	(49,414)
Allocation of return on outstanding Class A liability	46,950	57,377	-	-	46,950	57,377
Movement in residual interest (Class A)	(6,317)	(7,396)	-	-	(6,317)	(7,396)
Non-controlling interest (Class B)	-	-	4,591	4,366	4,591	4,366
Foreign exchange gain	(175,750)	(50,459)	(16,146)	(4,820)	(191,896)	(55,279)
<b>At 30 June</b>	<b>645,965</b>	<b>879,164</b>	<b>54,451</b>	<b>82,445</b>	<b>700,416</b>	<b>961,609</b>
<b>Deferred revenue:</b>						
<b>At 1 July</b>					507,671	454,980
Benefits deferred during the period					35,237	71,248
Foreign exchange gain					(106,348)	(18,557)
<b>At 30 June</b>					<b>436,560</b>	<b>507,671</b>
					<b>1,136,976</b>	<b>1,469,280</b>

<sup>1</sup> This comprises the following tax-effected components:

	2011 \$'000	2010 \$'000
Total taxable income before accelerated tax depreciation	47,761	52,949
Accelerated tax depreciation	(62,697)	(102,363)
<b>Value of tax losses offset against Class A liability</b>	<b>(14,936)</b>	<b>(49,414)</b>

**20. Contributed equity**

	2011 No'000	2011 \$'000	2010 No'000	2010 \$'000
<b>Fully paid stapled securities/shares</b>				
Opening balance	760,374	783,545	808,177	862,113
Issue of securities - Distribution reinvestment plan (i)	1,892	981	-	-
Capital distribution	-	(22,884)	-	(36,635)
Securities bought back on market and cancelled (ii)	-	-	(47,803)	(41,933)
<b>Closing balance</b>	<b>762,266</b>	<b>761,642</b>	<b>760,374</b>	<b>783,545</b>

	2011 \$'000	2010 \$'000
<b>Attributable to:</b>		
Equity holders of the parent	2,305	2,305
Equity holders of the other stapled securities (non-controlling interests)	759,337	781,240
	<b>761,642</b>	<b>783,545</b>

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**

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.

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).

**(ii) On market security buy-back**

Since 1 July 2010, there have been no security buy-backs.

On 5 May 2010, Infigen announced its intention to undertake a buy-back of up to 10% of its securities between the announcement date and 30 June 2010. No securityholder approval was required for the buy-back. As at 30 June 2010, Infigen had purchased and cancelled 47,803,000 stapled securities at an average price of \$0.88 per security under that buy-back program.

## 21. Reserves

	2011 \$'000	2010 \$'000
Foreign currency translation	(60,994)	(15,477)
Hedging	(82,545)	(129,188)
Acquisition	(47,675)	(47,675)
Share-based payment	3,774	3,155
	<b>(187,440)</b>	<b>(189,185)</b>
<b>Attributable to:</b>		
Equity holders of the parent	(187,440)	(189,185)
Equity holders of the other stapled securities (non-controlling interests)	-	-
	<b>(187,440)</b>	<b>(189,185)</b>

### (a) Foreign currency translation reserve

	2011 \$'000	2010 \$'000
Balance at beginning of financial year	<b>(15,477)</b>	<b>25,718</b>
Movements increasing / (decreasing) recognised:		
Translation of foreign operations	(48,069)	(38,314)
Disposal of foreign operations	2,552	201
Forward exchange contracts	-	(3,438)
Deferred tax reversal	-	356
	<b>(45,517)</b>	<b>(41,195)</b>
Balance at end of financial year	<b>(60,994)</b>	<b>(15,477)</b>

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

	2011 \$'000	2010 \$'000
Balance at beginning of financial year	<b>(129,188)</b>	<b>(122,145)</b>
Movement increasing / (decreasing) recognised:		
Interest rate swaps	58,552	(13,950)
Deferred tax arising on hedges	(11,909)	6,907
	<b>46,643</b>	<b>(7,043)</b>
Balance at end of financial year	<b>(82,545)</b>	<b>(129,188)</b>

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.

**21. Reserves (continued)**

**(c) Acquisition reserve**

	2011 \$'000	2010 \$'000
Balance at beginning of financial year	(47,675)	(53,472)
Acquisition of non-controlling interest of subsidiary (i)	-	5,797
Balance at end of financial year	<b>(47,675)</b>	<b>(47,675)</b>

(i) These transactions are treated as transactions between owners of the Group. Additional goodwill is recognised only to the extent that it represents goodwill that was attributable to the minority interest at the acquisition date but is now attributable to the parent entity. No such goodwill was recognised in relation to the other non-controlling interest acquisitions.

The difference between the purchase consideration and the amount by which the non-controlling interest is adjusted has been recognised in the acquisition reserve. In relation to the various non-controlling interests that have been purchased during the year ended 30 June 2010 for \$2,257,000 (refer Note 33(b)) the amounts in the table above have been recognised in the acquisition reserve.

**(d) Share-based payment reserve**

	2011 \$'000	2010 \$'000
Balance at beginning of financial year	3,155	1,071
Share-based payments expense <sup>1</sup>	619	2,084
Balance at end of financial year	<b>3,774</b>	<b>3,155</b>

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

**22. Retained earnings**

	2011 \$'000	2010 \$'000 (Restated – refer Note 1(a))
Balance at beginning of financial year	127,568	202,189
Net loss attributable to stapled security holders	(60,994)	(74,621)
Balance at end of financial year	<b>66,574</b>	<b>127,568</b>
<b>Attributable to:</b>		
Equity holders of the parent	87,020	147,110
Equity holders of the other stapled securities (non-controlling interests)	(20,446)	(19,542)
	<b>66,574</b>	<b>127,568</b>



**23. Earnings per security / share**

**(a) Basic earnings per stapled security / parent entity share:**

*Parent entity share*

From continuing operations  
From discontinued operations  
Total basic earnings per share

*Stapled security*

From continuing operations  
From discontinued operations  
Total basic earnings per security

**(b) Diluted earnings per stapled security / parent entity share:**

*Parent entity share*

From continuing operations  
From discontinued operations  
Total diluted earnings per share

*Stapled security*

From continuing operations  
From discontinued operations  
Total diluted earnings per security

	2011 Cents per security	2010 Cents per security (Restated)
<b>(a) Basic earnings per stapled security / parent entity share:</b>		
<i>Parent entity share</i>		
From continuing operations	(3.3)	(7.9)
From discontinued operations	(4.6)	(1.0)
Total basic earnings per share	(7.9)	(8.9)
<i>Stapled security</i>		
From continuing operations	(3.4)	(8.4)
From discontinued operations	(4.6)	(1.0)
Total basic earnings per security	(8.0)	(9.4)
<b>(b) Diluted earnings per stapled security / parent entity share:</b>		
<i>Parent entity share</i>		
From continuing operations	(3.3)	(7.9)
From discontinued operations	(4.6)	(1.0)
Total diluted earnings per share	(7.9)	(8.9)
<i>Stapled security</i>		
From continuing operations	(3.4)	(8.4)
From discontinued operations	(4.6)	(1.0)
Total diluted earnings per security	(8.0)	(9.4)

**(c) 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

	2011 \$'000	2010 \$'000 (Restated – refer Note 1(a))
Earnings attributable to the parent entity shareholders		
From continuing operations	(25,105)	(63,529)
From discontinued operations	(34,985)	(7,707)
Total earnings attributable to the parent entity shareholders	(60,090)	(71,236)
Earnings attributable to the stapled security holders		
From continuing operations	(26,009)	(66,914)
From discontinued operations	(34,985)	(7,707)
Total earnings attributable to the stapled security holders	(60,994)	(74,621)

**23. Earnings per security / share (continued)**

**(d) Weighted average number of shares used as the denominator**

	2011 No.'000	2010 No.'000
Weighted average number of securities/ shares for the purposes of basic earnings per security / share	761,341	799,847
Weighted average number of securities/ shares for the purposes of diluted earnings per security / share	761,341	799,847

**24. Distributions paid**

	2011		2010	
	Cents per security	Total \$'000	Cents per security	Total \$'000
<b>Recognised amounts</b>				
<b>Ordinary securities</b>				
Final distribution in respect of 2010 year of 2.0 cents per stapled security (2009: 4.50 cents) paid in September 2010 (2009: September 2009), 100% tax deferred (2009: 100% tax deferred).	2.0	15,272	4.50	36,635
Interim distribution in respect of 2011 year of 1.0 cents (2010: nil cents) per stapled security paid in March 2011 (2010: N/A), 100% tax deferred. (2010: N/A)	1.0	7,612	-	-
		<u>22,884</u>		<u>36,635</u>
Distributions paid in cash or satisfied by the issue of new stapled securities under the Distribution Reinvestment Plan during the year ended 30 June 2011 and the year ended 30 June 2010 were as follows:				
Paid in cash		21,903		36,635
Satisfied by the issue of stapled securities		981		-
		<u>22,884</u>		<u>36,635</u>

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 (2010: 2.0 cents and paid on 16 September 2010).

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. No amounts in relation to the final distribution for 2009 of \$36,635,000 were settled through the issue of stapled securities.

The parent entity has franking credits of \$6,228,093 for the year ended 30 June 2011 (2010: \$4,408,323). The franking credits were acquired when Walkaway Windpower Pty Ltd joined the Group's tax consolidated group in June 2010.

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

**25. Share-based payments**

**(a) Employee performance rights, performance units and options plan**

*PR&O Plan arrangements for the FY09, FY10 and FY11 grants*

In 2009 the Board determined that the most appropriate form of incentive arrangement for the Senior Managers was a long-term incentive arrangement. Senior Managers have received a long-term incentive award under the Performance Rights & Options Plan (“PR&O”) that encompass:

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

*Performance conditions of awards granted under the PR&O Plan*

- The FY09 plan participants received 50% of their award in the form of performance rights 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**).
- The measures used to determine performance and the subsequent vesting of performance rights and options are Total Shareholder Return (TSR) and a financial performance test. The vesting of Tranche 1 of the performance rights and Tranche 1 of the options is subject to the TSR condition, while Tranche 2 of the performance rights 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.

		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

- 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.

**25. Share-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	Percentage of Tranche 1 performance rights and Tranche 1 options to vest
0 to 49th percentile	Nil
50th to 74th percentile	50% – 98% (ie. for every percentile increase between 50% and 74% an additional 2% of the TSR grant will vest)
75th to 100th percentile	100%

**Operational Performance condition** (applicable to Tranche 2 performance rights 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.

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
<b>Performance rights</b>							
27 Mar 2009	N/A	N/A	3,423,579	-	(1,069,521)	2,354,058	-
30 Sept 2010 (FY10 plan)	N/A	N/A	-	470,034	(260,916)	209,118	-
30 Sept 2010 (FY11 plan)	N/A	N/A	-	2,899,464	(894,658)	2,004,806	-
<b>Total</b>			<b>3,423,579</b>	<b>3,369,498</b>	<b>(2,225,095)</b>	<b>4,567,982</b>	<b>-</b>
<b>Performance units</b>							
29 June 2011	N/A	N/A	-	126,866	-	126,866	-
<b>Total</b>				<b>126,866</b>	<b>-</b>	<b>126,866</b>	<b>-</b>
<b>Options</b>							
27 Mar 2009	31 Dec 2013	\$0.897	15,546,833	-	(4,856,806)	10,690,027	-
<b>Total</b>			<b>15,546,833</b>	<b>-</b>	<b>(4,856,806)</b>	<b>10,690,027</b>	<b>-</b>
<b>Weighted average exercise price</b>			\$0.897	-	\$0.897	\$0.897	

**25. Share-based payments (continued)**

**Fair value of performance rights and options granted**

		Grant date	Performance rights	Performance units	Options
<b>2009</b>	<b>Tranche 1</b>	27 March 2009	0.543	N/A	0.207
	<b>Tranche 2</b>	27 March 2009	0.708	N/A	0.211
<b>2010</b>	<b>Tranche 1</b>	30 September 2010	0.439	N/A	N/A
	<b>Tranche 2</b>	30 September 2010	0.696	N/A	N/A
<b>2011</b>	<b>Tranche 1</b>	30 September 2010	0.439	0.19	N/A
	<b>Tranche 2</b>	30 September 2010	0.696	0.23	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, 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:

- (a) Performance rights 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 have a nil exercise price and vest automatically as shares for rights and as cash for units. Vested options are exercisable until 31 December 2013.
- (b) Exercise price for options: \$0.897
- (c) Grant dates: 27 March 2009 (FY09 plan), 30 September 2010 (FY10 plan), 30 September 2010 (FY11 plan)
- (d) Expiry date of options: 31 December 2013
- (e) Share price at grant date: \$0.86 (FY09 plan), \$0.735 (FY10 plan), \$0.735 (FY11 rights plan), \$0.35 (FY11 unit plan)
- (f) Expected price volatility of the company's shares: 49% (FY09 plan), 42% (FY10 plan), 42% (FY11 plan)
- (g) Expected dividend yield: 8.6% (FY09 plan), 2.0% (FY10 plan), 2.0% (FY11 rights plan), 0% (FY11 unit plan)
- (h) Risk-free interest rate: 3.96% (FY09 plan), 4.79% (FY10 plan), 4.79% (FY11 rights plan), 4.79% (FY11 units 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:

	2011 \$'000	2010 \$'000
Performance rights and options issued (net of lapsed awards) under the PR&O Plan	619	2,084
	<b>619</b>	<b>2,084</b>

**26. Commitments for expenditure**

**(a) Capital expenditure commitments**

	2011 \$'000	2010 \$'000
Not later than 1 year	21,569	69,769
Later than 1 year and not later than 5 years	-	-
	<b>21,569</b>	<b>69,769</b>

Capital expenditure commitments relate to the construction of wind farms.

**(b) Lease commitments**

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 28 and Note 26, respectively, to the financial statements.

**(c) Other expenditure commitments**

	2011 \$'000	2010 \$'000
Not later than 1 year	10,057	12,650
Later than 1 year and not later than 5 years	11,402	28,498
Later than 5 years	118	41,861
	<b>21,577</b>	<b>83,009</b>

Other expenditure commitments include commitments relating to operations and maintenance arrangements and connection agreements.

**27. Contingent liabilities and contingent assets**

**Contingent liabilities**

	2011 \$'000	2010 \$'000
Letters of credit	49,789	66,074
	<b>49,789</b>	<b>66,074</b>

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 warranty claim***

In December 2009, the Kumeyaay wind farm experienced unexpected damage during a storm event and a utility power outage. Following the storm, the initial review revealed that 45 blades on 23 of the 25 turbines were damaged, and that it was probable the remaining blades were also affected and would need to be replaced.

By April 2010, the turbine manufacturer had replaced all 75 blades and all 25 turbines were operating. The turbine manufacturer has not invoiced Kumeyaay Wind LLC, a Group subsidiary, for the costs of repair to the site or for the replacement of blades.

**27. Contingent liabilities and contingent assets (continued)**

It is the Group's view that these costs are covered under either the manufacturer's warranty or insurance. Kumeyaay Wind LLC is also seeking to recover payment for lost production under the manufacturer's performance guarantee or insurance. The turbine manufacturer has not accepted this view and, at this time, an outcome is uncertain. Kumeyaay Wind LLC has engaged external technical advisors and legal counsel to represent it in the dispute resolution process, and, if required, through formal litigation. Discussions continue between the management of both organisations in accordance with an agreed resolution process.

***German disposal - potential reimbursement obligation and funds in escrow***

Under the terms of the sale of the Group's German assets during the year, the Group was required to place a cash sum of EUR 5.1m (or approx \$6.3m) in an escrow account as collateral for a potential reimbursement obligation. All or part of the escrowed funds may be retained by the Group depending upon the satisfaction of certain conditions.

As at the time of sale, certification of 3 wind farms as qualifying for certain additional tariff under the German Renewable Energy Act (as a result of technology upgrades underway at those sites) had not yet been received. If the relevant certification is not obtained by the German statutory deadline for qualifying for the additional tariff (currently 30 September 2011), then Infigen must reimburse the buyer of the applicable wind farm the following amount in respect of the failure to obtain that certification and hence additional tariff for that wind farm, being EUR 2.6m, EUR 1.3m and EUR 1.3m respectively (depending upon the wind farm in question).

The certification process for these 3 wind farms is progressing and it is currently expected that certification will be obtained for all 3 wind farms prior to 30 September 2011. The escrowed funds of approx \$6.3m are included as a component of Cash and Cash Equivalents in Infigen's statement of financial position as at 30 June 2011.

***Disposal of businesses***

Under the sale agreements relating to the disposal of the Group's previously owned Spanish, 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.

**28. Leases**

**Finance leases**

**Leasing arrangements**

Finance leases related to wind turbine generators at the German Eifel wind farm and had a term of 14 years with an option to purchase at the end of the term. These leases remained with the Eifel wind farm entity that was sold as part of the Group's disposal of German entities.

**Finance lease liabilities**

**Commitments in relation to finance leases are payable as**

Not later than 1 year  
Later than 1 year and not later than 5 years  
Later than five years  
Minimum future lease payments<sup>1</sup>  
Less future finance charges  
Present value of minimum lease payments  
Included in the financial statements as:  
Current borrowings (Note 17)  
Non-current borrowings (Note 17)

Minimum future lease payments	
2011 \$'000	2010 \$'000
-	4,854
-	19,415
-	23,159
-	47,428
-	(7,686)
-	39,742
-	2,538
-	37,204
-	39,742

<sup>1</sup> Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

**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

2011 \$'000	2010 \$'000
8,382	9,221
29,988	34,826
123,835	154,408
<b>162,205</b>	<b>198,455</b>



**29. Subsidiaries**

Name of entity	Country of incorporation	Ownership interest**	
		2011 %	2010 %
<b>Parent entity</b>			
* Infigen Energy Limited	Australia		
<b>Other stapled entities</b>			
Infigen Energy (Bermuda) Limited	Bermuda		
Infigen Energy Trust	Australia		
<b>Subsidiaries of the parent and other stapled entities</b>			
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%	50%
Blue Canyon 1 Member LLC	USA	100%	100%
Buena Vista Energy LLC	USA	100%	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%
Caprock Wind LLC	USA	100% <sup>1</sup>	100% <sup>1</sup>
Caprock Wind Investments LLC	USA	100%	100%
Caprock Wind Member LLC	USA	100%	100%
CCWE Holdings LLC	USA	67% <sup>1</sup>	67% <sup>1</sup>
Cedar Creek Wind Energy LLC	USA	67% <sup>1</sup>	67% <sup>1</sup>
Cedar Creek Wind 1 Member LLC	USA	100%	100%
Cherry Tree Wind Farm Pty Ltd	Australia	100%	50%
Combine Hills 1 Member LLC	USA	100%	100%
Crescent Ridge Holdings LLC	USA	75% <sup>1</sup>	75% <sup>1</sup>
Crescent Ridge LLC	USA	75% <sup>1</sup>	75% <sup>1</sup>
* CS CWF Trust	Australia	100%	100%
CS Walkaway Trust	Australia	100%	100%
Flyers Creek Wind Farm Pty Ltd	Australia	100%	50%
Forsayth Wind Farm Pty Limited	Australia	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%

**29. Subsidiaries (continued)**

Name of entity	Country of incorporation	Ownership interest	
		2011 %	2010 %
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%
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% <sup>1</sup>	100% <sup>1</sup>
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%
Sonnenberg Windpark GmbH & Co. KG	Germany	-	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%

## 29. Subsidiaries (continued)

Name of entity	Country of incorporation	Ownership interest	
		2011 %	2010 %
* Walkaway Wind Power Pty Limited	Australia	100%	100%
* Walkaway (BB) Pty Limited	Australia	100%	100%
Walkaway (BB) Trust	Australia	100%	100%
* Walkaway (CS) Pty Limited	Australia	100%	100%
Windpark Eifel GmbH & Co. KG	Germany	-	100%
Windpark Hiddestorf GmbH & Co. KG	Germany	-	100%
Windpark Kaarst GmbH & Co. KG	Germany	-	100%
Windpark Niederrhein GmbH & Co. KG	Germany	-	100%
Windpark Calau GmbH & Co. KG	Germany	-	100%
Windpark Langwedel GmbH & Co. KG	Germany	-	100%
Windpark Leddin GmbH & Co. KG	Germany	-	100%
Windfarm Coswig GmbH	Germany	-	100%
Windfarm Eschweiler GmbH	Germany	-	100%
Windfarm Seehausen GmbH	Germany	-	100%
Woakwine Wind Farm Pty Ltd	Australia	100%	50%
Wind Park Jersey Member LLC	USA	100%	100%
Wind Portfolio I Member LLC	USA	100%	100%
Wind Portfolio Holdings I LLC	USA	100% <sup>1</sup>	100% <sup>1</sup>
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%

\* Denotes a member of the IEL tax consolidated group.

<sup>1</sup> Class B Member interest.

## 30. Acquisition of businesses

### 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 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.

**30. Acquisition of businesses (continued)**

**Year ended 30 June 2010**

**(ii) Infigen Energy Markets Pty Limited**

In March 2010, Infigen Energy Services Holdings Pty Limited, a subsidiary of IEL, purchased 100% of the share capital of Infigen Energy Markets Pty Limited (formerly Alinta Energy Markets Pty Ltd) which holds a licence to sell energy to a retail customer and trade in energy markets.

The purchase price was \$11,004,000 (including a component of contingent consideration). The fair values of the net assets acquired, \$11,004,000 is provided in the table below.

The acquired business contributed revenues of \$140,000 and net loss of \$15,000 to the Group for the period from acquisition to 30 June 2010. If the acquisition had occurred on 1 July 2009, revenue of \$558,000 and net loss of \$59,000 would have been contributed to the Group.

	<b>Carrying value</b>	<b>Fair value</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Purchase consideration</b>		
Cash, including associated costs		9,640
Cash paid after the end of the financial year		303
Contingent consideration <sup>1</sup>		1,061
		<b>11,004</b>
<b>Net assets / (liabilities) acquired</b>		
Intangible assets		6,906
Cash	6,727	6,727
Trade debtors and receivables	1,627	1,627
Accrued revenue	1,577	1,577
Payables	(4,105)	(4,105)
Other liabilities	(1,728)	(1,728)
	<b>4,098</b>	<b>11,004</b>
Goodwill		-

<sup>1</sup> Contingent consideration represents the estimated amount payable to the vendor subsequent to acquisition. Contingent consideration is based upon the performance of Infigen Energy Markets Pty Limited over the period from acquisition to the end of the deferred consideration period on 31 December 2011.

During the year ended 30 June 2011, the contingent consideration has increased by \$631,000, in accordance with the share purchase agreement, resulting in an increase in intangible assets of \$631,000.

**31. 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.

**31. Related party disclosures (continued)**

**(c) Other related party transactions**

At the year end the Group was owed an amount of \$1,218,000 (2010: \$1,499,000) from various associated entities.

The Group received interest income of \$7,936,000 (2010: \$8,314,000) 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.

**32. Subsequent events**

On 6 July 2011, \$154,264,000 of Global Facility debt was repaid in relation to the disposal of the Group's German assets. Refer to Note 17(c) for further information.

**33. Notes to the cash flow statement**

**(a) 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, 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

2011 \$'000	2010 \$'000
<b>304,875</b>	<b>219,891</b>

**(b) Businesses acquired**

During the financial year, four (2010: one) businesses were acquired for a nominal value. Details of the acquisitions made in the prior comparative period are as follows:

**Consideration**

Cash paid	-	9,640
Cash paid after the end of the financial year	-	303
Contingent consideration deferred	-	1,061
Cash and cash equivalents paid	-	11,004

**Fair value of net assets acquired**

Cash	-	6,727
Receivables and other current assets	-	3,204
Intangibles	-	6,906
Payables	-	(4,105)
Other liabilities	-	(1,728)
Net assets acquired	-	11,004
Goodwill	-	-

**33. Notes to the cash flow statement (continued)**

**(b) Businesses acquired (continued)**

	2011 \$'000	2010 \$'000
<b>Net cash outflow on acquisition</b>		
Total consideration	-	11,004
Less: cash and cash equivalent balances acquired	-	(6,727)
Less: cash paid after the end of the financial year and deferred consideration	-	(1,364)
Add: payment for non-controlling interests (Note 21(c))	-	2,257
Cash paid for investments in controlled entities	-	<b>5,170</b>
<b>(c) Non-cash financing and investing activities</b>		
Distribution reinvestment plan (Note 24)	981	-
	<b>981</b>	-

**(d) Restricted cash balances**

As at 30 June 2011 \$23,755,291 (2010: \$15,951,800) 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.

**34. 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 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.

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.

**34. Financial risk management (continued)**

**(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 2011 and 2010, 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 \ received floating interest rate swaps**

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2011 %	2010 %	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Fixed swap - Australia dollar	6.68	6.74	586,248	596,877	(31,895)	(44,503)
Fixed swap - Euro	4.87	4.87	142,432	189,212	(16,635)	(26,597)
Fixed swap - US dollar	5.28	5.28	346,480	516,220	(53,139)	(86,757)
			<b>1,075,160</b>	<b>1,302,309</b>	<b>(101,669)</b>	<b>(157,857)</b>

**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 2011.

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 5.61% (2010: 5.70%)

The current average margin across all facilities is 109 basis points (2010: 90 basis points).

**34. Financial risk management (continued)**

**(i) Interest rate risks (continued)**

**Floating rate debt**

	Floating debt		Debt principal amount	
	2011 %	2010 %	2011 \$'000	2010 \$'000
AUD debt	4.96	5.10	68,971	49,551
EUR debt	1.32	1.04	38,022	11,396
USD debt	0.19	0.75	81,511	28,697
			<b>188,504</b>	<b>89,644</b>

**Fixed rate debt**

	Fixed debt		Debt principal amount		% of debt hedged	
	2011 %	2010 %	2011 \$'000	2010 \$'000	2011 %	2010 %
AUD debt	6.68	6.74	586,248	599,497	89	92
EUR debt	4.87	4.87	142,432	228,955	79	95
USD debt	5.28	5.28	346,480	516,220	81	95
			<b>1,075,160</b>	<b>1,344,672</b>	<b>83</b>	<b>94</b>
<b>Total debt</b>	<b>5.61</b>	<b>5.70</b>	<b>1,263,664</b>	<b>1,434,316</b>		

The table below shows the maturity profile of the interest rate swaps and interest rate caps as of 30 June 2011 and 30 June 2010.

	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
<b>2011</b>					
AUD swaps	(31,895)	(38,023)	(11,052)	(18,873)	(8,098)
EUR swaps	(16,635)	(18,059)	(7,333)	(7,459)	(3,267)
USD swaps	(53,139)	(55,638)	(17,078)	(32,611)	(5,949)
AUD interest rate caps	1,595	2,175	19	958	1,198
	<b>(100,074)</b>	<b>(109,545)</b>	<b>(35,444)</b>	<b>(57,985)</b>	<b>(16,116)</b>
<b>2010</b>					
AUD swaps	(44,503)	(55,333)	(10,701)	(28,594)	(16,038)
EUR swaps	(26,597)	(28,994)	(6,496)	(15,820)	(6,678)
USD swaps	(86,757)	(91,952)	(43,023)	(34,885)	(14,044)
	<b>(157,857)</b>	<b>(176,279)</b>	<b>(60,220)</b>	<b>(79,299)</b>	<b>(36,760)</b>

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 2011, a net gain of \$3,496,988 was recorded (2010: \$1,207,000 net loss) and included in finance costs.



**34. Financial risk management (continued)**

**(i) Interest rate risks (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.

			<b>AUD</b>	<b>AUD</b>	<b>EUR</b>	<b>EUR</b>	<b>USD</b>	<b>USD</b>
			<b>+100 bps</b>	<b>-100 bps</b>	<b>+100 bps</b>	<b>-100 bps</b>	<b>+100 bps</b>	<b>-100 bps</b>
<b>2011</b>								
<b>AUD \$'000</b>								
<b>Effect on income statement</b>								
Cash	AUD	137,663	1,377	(1,377)				
	EUR	140,594			1,406	(1,406)		
	USD	26,618					266	(266)
		<b>304,875</b>						
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)	-	-				
		<b>1,252,417</b>						
Derivatives - interest rate swaps	AUD	586,248	3,561	(3,561)				
	EUR	142,432			-	-		
	USD	346,480					-	-
		<b>1,075,160</b>						
Derivatives – interest rate cap	AUD	44,000	1,068	(1,068)				
<b>Total income statement</b>			<b>5,316</b>	<b>(5,316)</b>	<b>1,026</b>	<b>(1,026)</b>	<b>(549)</b>	<b>549</b>
<b>Effect on hedge reserve</b>								
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)
		<b>1,075,160</b>						
<b>Total hedge reserve</b>			<b>26,431</b>	<b>(26,431)</b>	<b>9,872</b>	<b>(9,872)</b>	<b>22,038</b>	<b>(22,038)</b>
<b>Total effect on equity</b>			<b>31,747</b>	<b>(31,747)</b>	<b>10,898</b>	<b>(10,898)</b>	<b>21,489</b>	<b>(21,489)</b>

**34. Financial risk management (continued)**

**(i) Interest rate risks (continued)**

			AUD	AUD	EUR	EUR	USD	USD
			+100 bps	-100 bps	+100 bps	-100 bps	+100 bps	-100 bps
<b>2010</b>								
<b>AUD \$'000</b>								
<b>Effect on income statement</b>								
Cash	AUD	192,146	1,921	(1,921)	-	-	-	-
	EUR	3,601	-	-	36	(36)	-	-
	USD	34,203	-	-	-	-	342	(342)
		<b>229,950</b>						
Borrowings	AUD	649,048	(496)	496	-	-	-	-
	EUR	200,609	-	-	(114)	114	-	-
	USD	544,917	-	-	-	-	(287)	287
Finance Lease	EUR	39,742	-	-	-	-	-	-
Capitalised Loan Cost	AUD	(11,676)	-	-	-	-	-	-
		<b>1,422,640</b>						
Derivatives - interest rate	AUD	596,877	4,123	(4,123)	-	-	-	-
	EUR	189,212	-	-	-	-	-	-
	USD	516,220	-	-	-	-	-	-
		<b>1,302,309</b>						
<b>Total income statement</b>			<b>5,548</b>	<b>(5,548)</b>	<b>(78)</b>	<b>78</b>	<b>55</b>	<b>(55)</b>
<b>Effect on hedge reserve</b>								
Derivatives - interest rate	AUD	596,877	30,215	(30,215)	-	-	-	-
	EUR	189,212	-	-	8,495	(8,495)	-	-
	USD	516,220	-	-	-	-	29,577	(29,577)
<b>Total hedge reserve</b>		<b>1,302,309</b>	<b>30,215</b>	<b>(30,215)</b>	<b>8,495</b>	<b>(8,495)</b>	<b>29,577</b>	<b>(29,577)</b>
<b>Total effect on equity</b>			<b>35,763</b>	<b>(35,763)</b>	<b>8,417</b>	<b>(8,417)</b>	<b>29,632</b>	<b>(29,632)</b>

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.

**34. 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.

**Legacy EUR debt FX risk**

The Group has a legacy 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 a multi-currency corporate debt facility and aims to ensure that the majority of its debt and expenses are denominated in the same currency as the associated revenues and investments. In the EUR legacy case, where this is not currently possible, the Group monitors and hedges foreign exchange exposure by other means.

The Group's balance sheet exposure to foreign currency risk at the reporting date is shown in the table below. This represents the EUR and USD assets and liabilities the Group holds in AUD functional currency entities.

	2011		2010	
	EUR	USD	EUR	USD
<b>Foreign currency (AUD'000)</b>				
Cash	39,669	56,654	147	1,256
Trade receivables	-	151	6,992	42
Short term intercompany loans	112,339	421	135,654	1,474
Net investment in foreign operations	14,595	214,835	15,441	304,057
Trade payables	(163)	(107)	(3,966)	(329)
Bank loans	(142,778)	(41,296)	(160,240)	(52,550)
<b>Total exposure (foreign currency'000)</b>	<b>23,662</b>	<b>230,658</b>	<b>(5,972)</b>	<b>253,950</b>

**34. Financial risk management (continued)**

**(ii) Foreign exchange risks (continued)**

**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.

<b>Consolidated AUD'000</b>	<b>AUD/EUR + 10 %</b>	<b>AUD/EUR - 10%</b>	<b>AUD/USD + 10%</b>	<b>AUD/USD - 10%</b>
<b>2011</b>				
Income statement	(907)	907	(1,582)	1,582
Foreign currency translation reserve	(1,459)	1,459	(21,483)	21,483
<b>2010</b>				
Income statement	2,141	(2,141)	5,011	(5,011)
Foreign currency translation reserve	(1,544)	1,544	(30,406)	30,406

**(iii) Electricity and environment certificates (including REC) 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.

<b>Consolidated AUD \$'000</b>	<b>Electricity/REC Price +10%</b>	<b>Electricity/REC Price -10%</b>
<b>2011</b>		
Income statement	3,735	(3,735)
<b>2010</b>		
Income statement	5,574	(5,574)

**34. Financial risk management (continued)**

**(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 are 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 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.

<b>Consolidated</b>	<b>Within credit terms</b>	<b>Past due but not impaired</b>	<b>Impaired \$'000</b>	<b>Description</b>
<b>2011</b>				
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
<b>2010</b>				
Bank deposits	219,891			- Minimum credit rating 'A' grade (S&P)
Trade receivables	30,392	2,033		- Spread geographically generally with large utility companies
Other current receivables	4,223	-		- Miscellaneous receivables
Amounts due from related parties (associates)	1,499	-		- Loan to associated entities

**34. Financial risk management (continued)**

**(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.

	Up to 12 months \$'000	1 to 5 years \$'000	After 5 years \$'000	Total contractual cash flows \$'000
<b>2011</b>				
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
<b>2010</b>				
Global Facility debt	85,817	536,185	772,572	1,394,574
Gross finance lease	4,854	19,416	23,158	47,428
Interest rate swap payable	60,220	79,299	36,760	176,279
Current payables	52,699	-	-	52,699

**34. Financial risk management (continued)**

**(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:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) 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
- (c) 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 2011.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2011</b>				
<b>Assets</b>				
Interest rate cap	-	1,595	-	1,595
<b>Total assets</b>	<b>-</b>	<b>1,595</b>	<b>-</b>	<b>1,595</b>
<b>Liabilities</b>				
Interest rate swaps	-	101,669	-	101,669
<b>Total liabilities</b>	<b>-</b>	<b>101,669</b>	<b>-</b>	<b>101,669</b>
<b>2010</b>				
<b>Liabilities</b>				
Interest rate swaps	-	157,857	-	157,857
<b>Total liabilities</b>	<b>-</b>	<b>157,857</b>	<b>-</b>	<b>157,857</b>

**(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.

**34. Financial risk management (continued)**

**(e) Capital risk management (continued)**

Through the year to 30 June 2011, the Group has had to maintain the following ratio in regard to compliance with its Global Facility:

Leverage ratio – Net Debt / EBITDA<sup>1</sup>

At year end this ratio has been comfortably met.

<sup>1</sup>Refer to Note 17(i) – Financial Covenants.

**35. Interest 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 2010 and 2011)
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%

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

	2011 \$'000	2010 \$'000
<b>Share of institutional equity partnerships' assets and liabilities</b>		
Current assets	14,952	16,523
Non-current assets	432,339	571,549
<b>Total assets</b>	<b>447,291</b>	<b>588,072</b>
Current liabilities	6,059	6,292
Non-current liabilities	339,675	446,120
<b>Total liabilities</b>	<b>345,734</b>	<b>452,412</b>
<b>Net assets</b>	<b>101,557</b>	<b>135,660</b>
<b>Share of institutional equity partnerships' revenues and expenses</b>		
Revenues	63,014	71,333
Expenses	(49,215)	(59,017)
<b>Profit before tax</b>	<b>13,799</b>	<b>12,316</b>



**35. Interests in joint ventures (continued)**

**Share of institutional equity partnerships' commitments and contingent liabilities**

The following information is included within the information contained in Notes 26 and 27.

	2011 \$'000	2010 \$'000
Commitments	26,215	31,902
Contingent liabilities	-	1,090

**36. Parent entity financial information**

**(a) Summary financial information**

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

	2011 \$'000	2010 \$'000
Current assets	807,410	777,756
Total assets	895,128	866,982
Current liabilities	882,116	881,474
Total liabilities	882,504	884,381
<b>Shareholders' equity</b>		
Issued capital	2,305	2,305
Retained earnings	10,319	(19,704)
	<b>12,624</b>	<b>(17,399)<sup>1</sup></b>
<b>Profit or loss for the year</b>	<b>30,023</b>	44,111
<b>Total comprehensive income</b>	<b>30,023</b>	41,845

<sup>1</sup> The separate financial statements for IEL as an individual entity present a net liability position in the year ended 30 June 2010. IEL is one component of a stapled entity that is in a net asset position.

**(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.

**(c) Contingent liabilities of the parent entity**

**German disposal - potential reimbursement obligation and funds in escrow**

Under the terms of the sale of the Group's German assets during the year, the Group was required to place a cash sum of EUR 5.1m (or approx \$6.3m) in an escrow account as collateral for a potential reimbursement obligation. All or part of the escrowed funds may be retained by the Group depending upon the satisfaction of certain conditions.

**36. Parent entity financial information (continued)**

**(c) Contingent liabilities of the parent entity (continued)**

As at the time of sale, certification of 3 wind farms as qualifying for certain additional tariff under the German Renewable Energy Act (as a result of technology upgrades underway at those sites) had not yet been received. If the relevant certification is not obtained by the German statutory deadline for qualifying for the additional tariff (currently 30 September 2011), then Infigen must reimburse the buyer of the applicable wind farm the following amount in respect of the failure to obtain that certification and hence additional tariff for that wind farm being EUR 2.6m, EUR 1.3m and EUR 1.3m respectively (depending upon the wind farm in question).

The certification process for these 3 wind farms is progressing and it is currently expected that certification will be obtained for all 3 wind farms prior to 30 September 2011.

***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 2011, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2010 – \$nil).

## Directors' declaration

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

- (a) the financial statements and notes set out on pages 22 to 104 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 2011 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:



**Douglas Clemson**  
Director

Sydney, 30 August 2011



**Miles George**  
Director