infigen

ANNUAL REPORT 2010

FRONT COVER IMAGE:
Infigen was the major sponsor of Weereewa 2010 – A Festival of Lake George, a bi-annual event held on the shores of Lake George in NSW to celebrate the unique history and ecology of the region.

This year's theme, Winds of Change, was inspired by Infigen's Capital wind farm, which is seen as a symbol of the change sweeping through the local region, and more broadly across the world, with respect to the growth of renewable energy.

The cover image is an entry in the Weereewa Sculpture Prize, **White Presence** 2010, by Jas Hugonnet. Photo by Fred Harden.

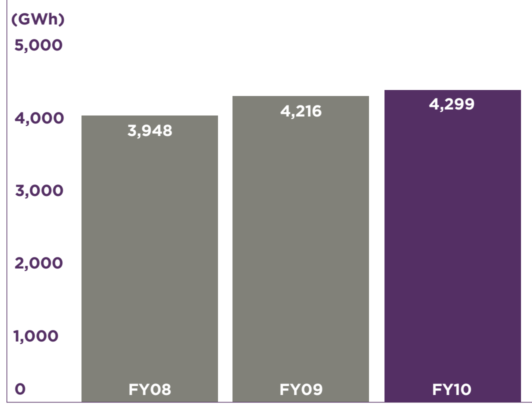
CONTENTS

OPERATIONAL AND FINANCIAL HIGHLIGHTS

GENERATION FROM CONTINUING OPERATIONS INCREASED TO

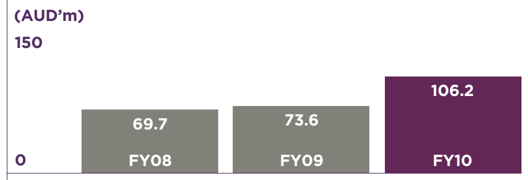
4,299 GWh

OPERATIONAL PERFORMANCE[1]

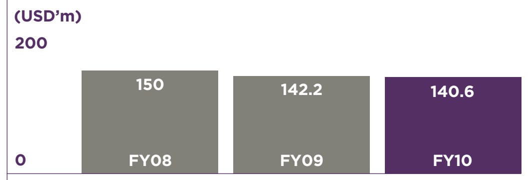


[1]From continuing operations

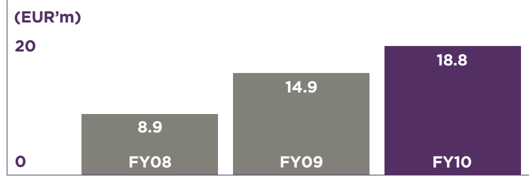
REVENUE – AUSTRALIA



REVENUE – USA



REVENUE – GERMANY



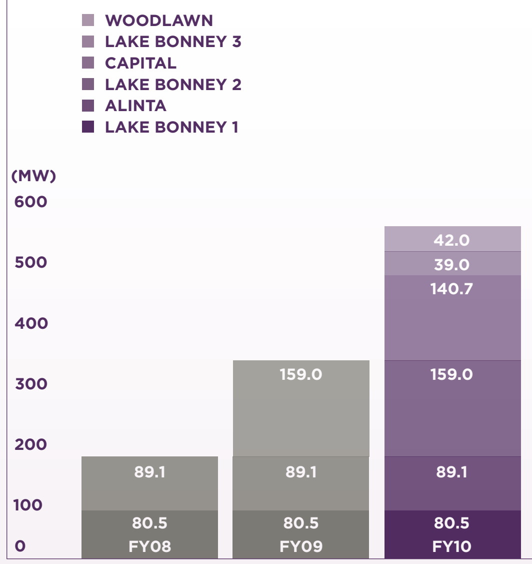
$296M

TOTAL REVENUE ACROSS 36 WIND FARMS GLOBALLY

550MW

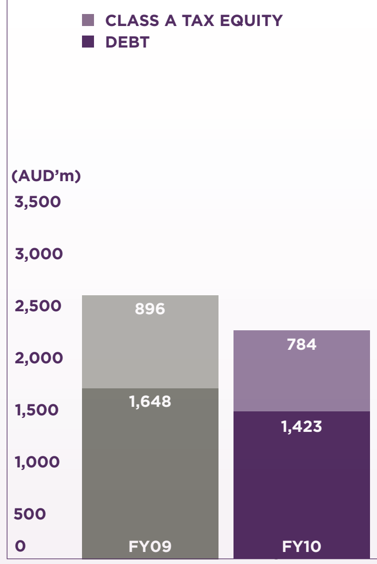
TOTAL CAPACITY IN AUSTRALIA ACROSS 6 WIND FARMS

TOTAL AUSTRALIAN CAPACITY[2]



[2]Includes Woodlawn which is under construction. Lake Bonney 1 operational since FY05, Alinta operational since FY06

DEBT & TAX EQUITY[3]



[3]IFN equity ownership basis

13.3%

REDUCTION IN TOTAL DEBT

CHAIRMAN'S REPORT

During the year Infigen continued to focus on growing its market leading Australian business and improving the operational performance of its assets.

Dear Securityholders,

On behalf of the Boards it is my pleasure to present the 2010 Annual report.

During the year Infigen continued to focus on growing its market leading Australian business and improving the operational performance of its assets.

In June this year, we welcomed further improvements to Australia's Renewable Energy Target legislation. The improvements significantly enhance the prospects of achieving the national interest objective of having 20 percent of Australia's electricity sourced from renewable energy by 2020.

As Australia's leading specialist renewable energy business, Infigen is well positioned to be a key provider of the mandated increase in utility scale renewable energy capacity.

We have managed the financial position and operations of Infigen prudently and efficiently throughout the year.

Infigen finished the year with significant cash balances of $227.3 million, which includes $174.1 million of cash held outside the Global Debt Facility borrower group.

Key features of the result included the generation of revenue from continuing operations of $295.6 million. Whilst revenues were down 2.7 percent on the prior year, excluding a $36.3 million negative effect of the appreciation of the Australian dollar, revenue increased by 10.5 percent in constant currency terms.

Corporate costs of $21.8 million were below guidance of $24.0 million and $4.8 million lower than the prior period.

Our full year 2010 distribution of 2.0 cents per security was in line with guidance provided earlier in the year.

This year we reported a statutory net loss of $73.5 million. This compares to a net profit of $192.9 million in the prior year that included a net gain on sale of the Spanish and Portuguese wind farm assets of $264.3 million. We expect the business to report a statutory net profit within the medium term.

BUSINESS HIGHLIGHTS

In October Infigen commissioned its fifth Australian wind farm, the Capital wind farm near Bungendore in New South Wales. With 67 turbines and a total installed capacity of 140.7MW, it is the largest wind farm to be built in New South Wales and is believed to be the largest generation project in New South Wales commissioned since the Snowy hydro scheme.

Approximately 80 percent of the electricity generated from Capital wind farm has been contracted to Sydney Water for its Sydney Desalination Plant, with the remainder sold into the national electricity market.

Capital wind farm was the first to be connected to the transmission network in NSW, paving the way for future wind farm developments in the state.

During the year we received approval for our sixth wind farm in Australia, the Woodlawn wind farm located near Bungendore in New South Wales. Woodlawn wind farm is close to Capital wind farm and will add 20 turbines with a total capacity of 42MW. We expect to complete the project in the second half of 2011.

The economics of the Woodlawn wind farm are underpinned by a high quality wind resource, attractive turbine pricing and an efficient grid connection via the existing substation at Capital wind farm.

When the project is completed Infigen will own and operate 87 turbines (182.7MW) in the same location, providing scope for additional operational efficiencies.

During the year we also expanded our largest wind farm at Lake Bonney in South Australia by a further 39MW with the completion of Lake Bonney Stage 3. The Lake Bonney wind farm now comprises 112 turbines (278.5MW), making it Australia's largest.

We continued to maintain our strict discipline of allocating capital to the highest yielding opportunities available and conducted the second phase of our buy-back program from 20 May 2010 to 30 June 2010. During this time we purchased 42.1 million securities for a total consideration of $35.6 million.

Finally, we successfully established a quality energy markets capability in order to optimise energy sales and off-take arrangements. This capability has already contributed to improving revenue for our Australian operations.

ASSET SALE PROCESSES

During 2009 Infigen completed a market testing program for its US business and, as a result of the findings, decided to proceed to a sales process.

However during the final stages of the sales process, US gas and electricity prices fell to historic lows, US legislative uncertainty increased, following the failure of Copenhagen talks in December, and an El Nino weather pattern negatively affected wind resource across the country. At the same time, because of the prolonged weakness in the US economy, investors had alternative opportunities to acquire distressed assets at low prices.

Following an evaluation of final offers received for the US wind energy business, the Board concluded that the retention benefits to securityholders of the assets materially exceeded the benefits of a sale at the prices offered.

The Board also determined that our German and French wind farm assets were non-core to the future of the business. These were also offered for sale during the year. The French business, comprising 52MW of operational wind farms, was sold for a total price of €71.3 million. However as with the US business, the Board elected to retain the German business for similar value considerations.

OUTLOOK

Infigen has a leading position in the Australian renewable energy market with attractive development prospects, proven capabilities in project delivery and asset management, and an experienced energy markets team. Our business strategy is to focus on optimising the performance of existing assets whilst continuing to pursue and develop attractive opportunities for growth in Australia.

Significant improvements to Australia's mandatory Renewable Energy Target legislation were passed by Federal Parliament in June. Infigen is optimistic that the passage of these improvements to the legislation will create strong demand for renewable energy and facilitate sustained new investment opportunities in utility scale renewable energy projects. We expect to be a key provider of the mandated increase in supply.

Infigen is continuing to investigate alternative sources of capital to assist in funding the continued growth of our Australian business. We are also exploring means to establish an independent capital structure for our US business in the medium term.

Infigen has clear performance goals for FY11. For Australia and the US, we have turbine availability targets of 95 percent and we plan to move to direct operational control of a further 11 US wind farms and two Australian wind farms during this financial year.

The business remains focused on delivering its FY11 development program of 160MW subject to favourable project economics and the availability of appropriate off-take arrangements.

I would like to thank the Managing Director, Miles George, his senior management team and all Infigen staff for their contribution to the business during the year.

I would also like to thank my fellow Directors for their support and efforts, particularly during the asset sales processes.

Finally, I would like to thank Securityholders for their continued support during the year.

Your Directors look forward to welcoming you to our Annual General Meeting to be held at 11am on 18 November 2010 at the InterContinental Hotel, Sydney.

Yours sincerely

Graham Kelly
Chairman

MANAGING DIRECTOR'S REPORT

Infigen has focused on improving the operational performance of our wind farms and continuing the development of attractive growth opportunities in Australia.

Dear Securityholders,

The 2010 financial year delivered an improved regulatory environment for Infigen, with the passing of the enhanced Renewable Energy Target legislation in August 2009 and further improvements enacted in June this year.

Infigen has focused on improving the operational performance of our wind farms during the year, and continuing the development of attractive growth opportunities in Australia.

We made significant progress in both areas and reinforced our position as Australia's leading specialist renewable energy business, with the Australian business alone generating over one million megawatt hours of electricity in FY10.

KEY MILESTONES

I am pleased to report that we increased our operating capacity by 11.6 percent to 1,726MW with the commissioning of the Capital wind farm at Bungendore in New South Wales. The wind farm has performed in line with expectations since full scale operations commenced in October 2009.

Capital wind farm is almost five times the size of the next largest wind farm in New South Wales and in its own right represents approximately 8 percent of Australia's total installed capacity for wind energy generation.

Capital wind farm is the first stage of what we consider will be a landmark renewable energy precinct in Australia, following the path that Infigen established with the development of Australia's largest wind farm at Lake Bonney in South Australia.

The next development within the precinct is already underway as we have received approval to proceed with our sixth wind farm in Australia, the Woodlawn wind farm, adjacent to the Capital wind farm. We have also secured further development opportunities near the existing sites at Woodlawn and Capital.

The commencement of our latest wind farm represents an important milestone in the delivery of our FY11 construction program. The Woodlawn wind farm is expected to be completed in the second half of 2011 and will add 42MW to the installed capacity of our Australian wind energy business.

We also completed a further stage at Lake Bonney wind farm, with the addition of 39MW, which brings Infigen's total Australian installed capacity to 508MW.

I am pleased to report that the turbines at Lake Bonney Stage 2 were restored to full operational status by December 2009 after the resolution of gearbox issues at that wind farm.

During the year we formed a consortium with Suntech Power to develop a proposal to establish Australia's first large scale solar photovoltaic (PV) electricity generation project under the Federal Government's Solar Flagships Program. In May this year the Infigen Suntech consortium was successful in being shortlisted as one of four candidates in the running to secure Federal and State Government grant funding under the program.

Our partner, Suntech Power, is the world's largest supplier of crystalline silicon PV modules to the residential, commercial and utility-scale solar markets.

The Infigen Suntech proposal comprises up to 150MW of solar PV power generation capacity to be located at up to three sites in New South Wales.

Given our strong track record in developing, owning and operating utility-scale renewable energy projects in Australia, the move into solar energy development and generation is considered to be a natural extension of our business. It takes advantage of our proven skills in project development, site selection, planning and permitting processes, grid connection and construction management, and the efficient operation of renewable energy assets in regional Australia.

During the year Infigen established an Energy Markets business unit to manage all aspects of the sale and purchase of electricity and Renewable Energy Certificates (RECs) and to secure access to contract customers directly. Our intention is to further develop our electricity retailing operations, targeting large government, industrial and commercial customers.

We have a strong ability to satisfy utility-scale renewable energy requirements on a competitive basis. Unlike competitors relying on generation from fossil fuels, we are happy to commit to longer-term contract arrangements which mitigate customers' exposure to the downside risks of a carbon pricing mechanism being implemented at some future point. This approach provides certainty to the buyer and seller over the long term and gives us significant competitive advantage.

RENEWABLE ENERGY TARGET LEGISLATION

The Federal Government's enhanced Renewable Energy Target (RET) legislation received bipartisan support when it was passed by the Parliament in August 2009. Further improvements to the legislation also received bipartisan support in June 2010.

The changes to the legislation provide for just over 90 percent of the expanded RET target to be met by efficient large scale renewable energy projects, improving the prospect of achieving the national interest objective of having 20 percent of Australia's electricity sourced from renewable energy by 2020. The more recent amendments dealing with the surplus of Renewable Energy Certificates created by small scale technologies are also important elements in facilitating short to medium term investment in utility scale plant.

The amendments clarify the obligations of electricity retailers and large electricity users, encouraging them to contract with efficient renewable energy providers to meet the nation's renewable energy target objectives at least cost.

Few of the liable parties under the RET legislation have any significant presence, expertise or experience in the renewable energy industry. Independent renewable energy developers and operators are likely to supply the bulk of the mandated renewable energy requirements and Infigen is very well placed in this group.

We believe that the enhanced RET legislation will drive investment in approximately 800-1000MW of new wind energy capacity each year to achieve a five fold increase in installed wind energy capacity by 2020.

With the delay of the Carbon Pollution Reduction Scheme (CPRS), the enhanced RET will be the main driver of utility scale renewable energy projects in the near term. Infigen is firmly of the view that the steep ramp up profile of obligations under the RET legislation from 2015 and the lead time required to complete large scale renewable energy projects requires that these projects commence now.

FY10 FINANCIAL HIGHLIGHTS

Infigen's FY10 performance was adversely affected by lower than normal wind conditions, a deterioration in electricity pricing in the US, and a significant appreciation of the Australian dollar. IFN recorded revenue of $314.3 million, or $295.6 million excluding minority interests, representing a reduction of 2.7 percent on the prior year.

On a constant currency basis, revenue increased by 10.5 percent compared to the prior year due primarily to the commencement of operations at the Capital wind farm in Australia and a full year contribution from newer wind farms in Germany and the US asset management business, Bluarc, which we purchased at the end of FY09.

The statutory net loss of $73.5 million for the full year ended 30 June 2010 compares to a net profit of $192.9 million in the prior year that included a net gain on sale of the Spanish and Portuguese wind farm assets of $264.3 million. As already indicated by the Chairman, we expect to generate a statutory net profit within the medium term.

PRODUCTION

FY10 production was 4,299GWh, which was 4GWh below Infigen's production guidance range.

Production from the Australian business increased by 30 percent during FY10 to 1,137GWh due to the contribution from the Capital wind farm and resolution of gear box issues at Lake Bonney.

The US business experienced a reduction of 7 percent to 2,950GWh reflecting low wind resource in the first three quarters of FY10.

In Germany, there was a production increase of 27 percent over FY09 to 212GWh, which reflected a full year contribution from the Calau, Leddin, Langwedel and Seehausen wind farms. Production in Germany was adversely affected by low wind resource throughout the year.

We have revised our long-term production assumptions in accordance with our stated policy of reviewing our long-term estimates after two to three years of operational history.

As a result of these reviews, the updated long-term production estimates have been reduced on average by seven percent which will result in a reduction of the average capacity factor from 36 percent to 34 percent across the business.

MANAGING DIRECTOR'S REPORT

BALANCE SHEET
Infigen's balance sheet remains sound, with substantial liquidity as represented by a cash balance of $227.3 million at financial year end. This balance includes $174.1 million of cash held by group companies outside Infigen's corporate debt facility borrower group.

Infigen finished FY10 with substantial liquidity available to fund opportunities that meet its investment criteria.

Infigen expects to retain the significant leverage and cost benefits of the existing corporate debt facility for the next two to three years. The rapid repayment of corporate level debt and US tax equity over this period will allow us to maximise future flexibility and refinancing options in 2012/13.

NEW APPOINTMENTS
During the year we made new appointments to strengthen our executive team.

Mr Andrew George was appointed as General Manager of the newly formed Energy Markets business unit. Andrew is managing Infigen's transition to become a more active energy market participant in Australia, including developing strategies to expand Infigen's interests in the market generally and in building its customer base. Andrew was formerly the head of Alinta's highly successful energy business until the Alinta/AGL Scheme of Arrangement and since that time has been a senior advisor to various Australian energy groups including Infigen.

Mr David Griffin was appointed as General Manager of Infigen's Development business unit. Previously David lead the development of Infigen's Capital and Alinta wind farms and was responsible for sourcing other new opportunities for profitable business growth in utility scale renewable energy generation.

Mr Scott Taylor was appointed General Manager of Infigen's core Generation business unit after a period heading up Infigen's US business. Our business in Australia is introducing a direct control strategy for operations, service and maintenance, and construction following similar successful initiatives in the US business.

These experienced managers bring complementary skills and experience to the existing senior management team to further strengthen our position as Australia's leading specialist renewable energy business.

BUSINESS PERFORMANCE TARGETS
We are continuing to assume the direct control of our assets as a way of improving wind farm performance and cost control.

In the US, Bluarc, Infigen's in-house asset management business, has already delivered substantial improvements in availability as operations and maintenance contracts with original equipment manufacturers (OEMs) have expired.

Bluarc's approach is different to that of an OEM. Historically when an OEM has acted as asset manager, it has been incentivised only to achieve availability levels consistent with the turbine's warranted output level. Bluarc's focus is on exceeding the warranted performance by addressing the main causes of lost production such as poor response times, inaccurate fault diagnosis and supply chain delays.

We are aiming for turbine availability across the US portfolio of at least 95 percent for FY11, with continuing improvements as further OEM contracts roll off in FY12 and beyond.

In Australia turbine availability was 94.4%, slightly below our inception to date figure, due to gearbox issues at Lake Bonney that have since been rectified.

For our Australian turbines, 84 percent remain under the control of the OEMs under existing arrangements, which limits our ability to improve turbine availability in the short term. This percentage will reduce to 39 percent through FY11.

One of the key challenges for the business is containing the service, maintenance and parts components of operating costs, which have proved to be more expensive than forecast, mainly as a result of the continued rapid growth in the industry.

However, our strategy of implementing direct control is expected to improve asset availability, offsetting part of this impact, and maintain effective cost control beyond the initial warranty period.

OUTLOOK
The Australian renewable energy market is poised for very strong growth over the next ten years and Infigen is well positioned to benefit from its market leading position in developing, building and operating Australian renewable energy projects.

Infigen has a high quality Australian wind energy development pipeline, diversified across five states and representing approximately 1,500MW of wind energy projects. Our first steps in solar energy development have also produced positive results.

Woodlawn wind farm is the first element of our target of commencing a total of 160MW of new capacity additions in FY11, subject to energy market conditions and demonstration of favourable project economics.

We are also assessing complementary sources of capital to assist in funding our Australian pipeline opportunities, including project level debt, and the introduction of co-investors at the project level.

Under the terms of our corporate debt facility, Infigen's operational cash flow from existing assets will be deployed to continue deleveraging the balance sheet. While building long term securityholder value, this requirement limits cash available for distribution to securityholders and inhibits further buy-back of Infigen securities. Approximately $200 million of debt is expected to be retired from the existing corporate debt facility over the next two financial years.

I would like to thank securityholders for their ongoing support and I look forward to meeting at the AGM and reporting further on the performance of the business.

Yours sincerely

Miles George
Managing Director

GLOBAL ENERGY MARKET

Creating a New Energy Landscape

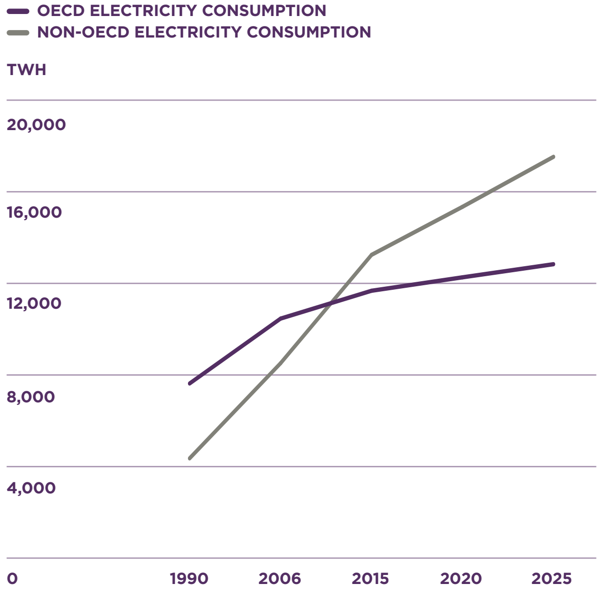
THE GLOBAL POWER GENERATION MARKET IS IN TRANSITION
The global power industry has weathered several boom-and-bust cycles over the last several decades as well as major technology transformations, with nuclear power's rise in the 1970s and combined cycle's boom in the 1990s. The industry has also faced its setbacks, with Chernobyl in 1986 and Enron's collapse in 2001. But the industry is now entering a transformation that is likely to dwarf those events, driven by rapid growth in developing countries, resource depletion, and most important of all, a new age of carbon policy.

The increasingly global economy is accelerating global policy focus on the opportunity to spur clean energy industries to create job growth and to address the environmental cost of greenhouse gas emissions. The resultant support for low carbon-based power generation will quicken a transition to renewable and clean power.

The combined events of the recent global economic crisis and rise of low cost unconventional natural gas production in the US have slowed this trend – hindering wind and solar the most dramatically due to their short development lead times – but is not expected to alter the global acceleration of low-carbon power generation growth over the longer term.

In the context of this shifting market environment, world energy demand is expected to increase by more than 50 percent by 2020, with electricity generation expected to account for over half of the increase in global primary energy consumption.

EXHIBIT 1: POWER CONSUMPTION DEMAND, 1990-2020

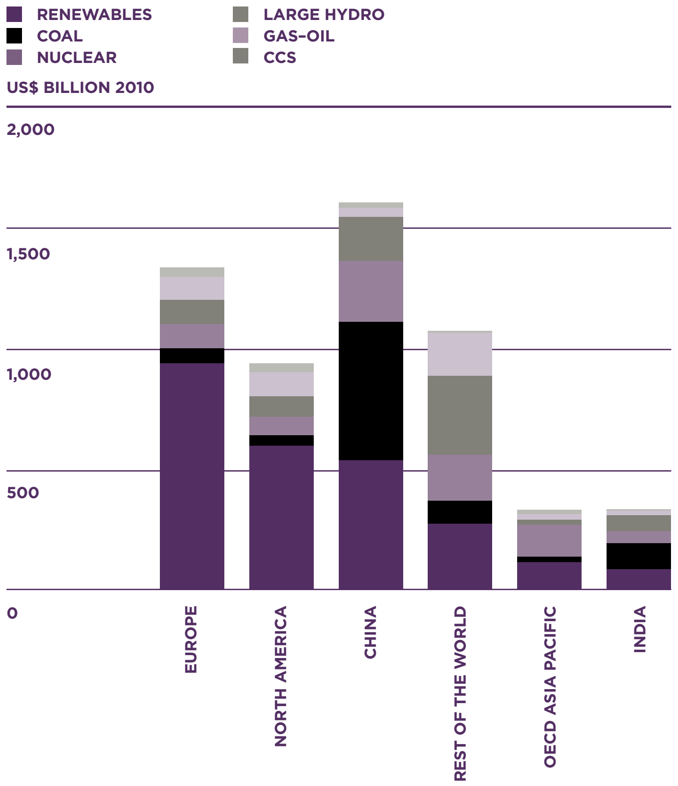


Source: IEA

To meet generation requirements through 2025, 3,000GW of new power generation capacity is expected to be required, totaling US$5.7 trillion of capital investment excluding transmission and fuel costs.

As the largest market by far over the next decade for new power generation, China's role in the global power generation industry will increasingly drive technology and cost improvements. With a national policy geared to local industry advancement, China will remain a market for foreign technology and expertise that will eventually contribute to an explosion of Chinese energy technology exports, including for lower cost wind, solar, nuclear and hydro in the not-too-distant future.

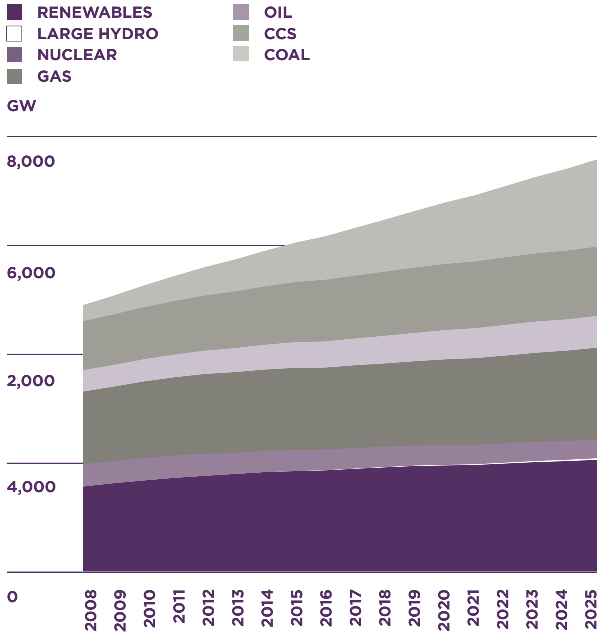
EXHIBIT 2: INVESTMENT IN POWER GENERATION CAPACITY BY TECHNOLOGY AND REGION



Source: IHS Emerging Energy Research

The largest share of projected investment to meet this growing demand over the next decade will be renewable power generation, which is forecast to see US$2.6 trillion in investment between 2010 and 2025, representing 45 percent of total power generation investments. As the largest growth segment of the power market, renewables will account for 49 percent of total capacity additions in 2020, up from 21 percent in 2008.

EXHIBIT 3: EVOLUTION OF GLOBAL POWER GENERATION CAPACITY MIX: 2008-2025

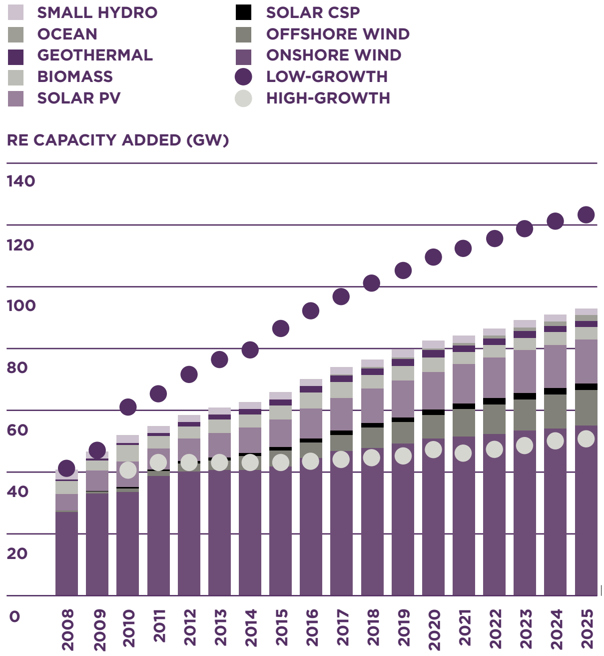


Source: Emerging Energy Research

THE SHARE OF RENEWABLES IN THE GLOBAL POWER GENERATION MIX IS ON TRACK TO DOUBLE TO OVER 12 PERCENT BY 2025, UP FROM 6 PERCENT IN 2008, WITH WIND AND SOLAR CONTINUING TO LEAD THE WAY
Stiffening renewable energy requirements – both to address greenhouse gas concerns and to minimize dependency on imports of depleting fossil fuel resources – and emerging carbon regimes that directly target global warming are expected to drive a faster shift to clean and renewable power generation than the power industry anticipates or is prepared to address.

The growing shift from fossil-fuel power generation to renewable power generation will continue to be led by onshore wind, with a growing role for solar PV. Wind energy is expected to account for 63 percent of total renewables capacity additions during the next decade. Behind wind, solar PV will represent the second-largest source of renewables capacity additions, adding nearly 173GW between 2010 and 2025.

EXHIBIT 4: EVOLUTION OF GLOBAL ANNUAL CAPACITY ADDITIONS



Source: Emerging Energy Research

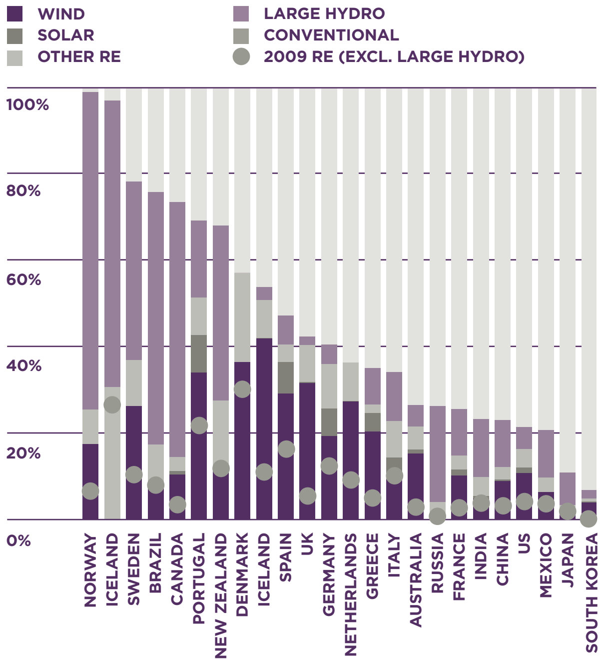
Renewables are gaining traction globally as renewable energy penetration hovers around 6 percent in 2008, expected to rise to 12 percent by 2025.

In North America, new conventional coal and nuclear power generation will be constrained by emission, permitting and financing difficulties. As a result, a combination of wind and natural gas CCGT will be the main focus of investment by utilities seeking new power generation capacity. At the same time, stricter policies to restrict conventional pollutants and the eventual passage of US federal greenhouse gas policy will place increasing pressure on utilities to retire existing conventional coal power plants in favor of less carbon-intensive power generation sources. This is expected to drive renewables including wind, geothermal, solar and biomass to account for over 15 percent of supply by 2025, up from 3 percent in 2008.

GLOBAL ENERGY MARKET

In Australia, a greater urgency to reduce the country's GHG emissions exposure, and diversify the generation mix, has led to the passage of the national Renewable Energy Target (RET). The RET has raised Australia's renewable target fourfold, to 20 percent of the country's power supply by 2020. The passage of RET will primarily drive increased wind growth to reach this target, as an abundant, lowest cost renewable resource, but will also spur increased technology advancement in geothermal, wave and solar.

EXHIBIT 5: RENEWABLE PENETRATION BY COUNTRY, 2009 AND 2020



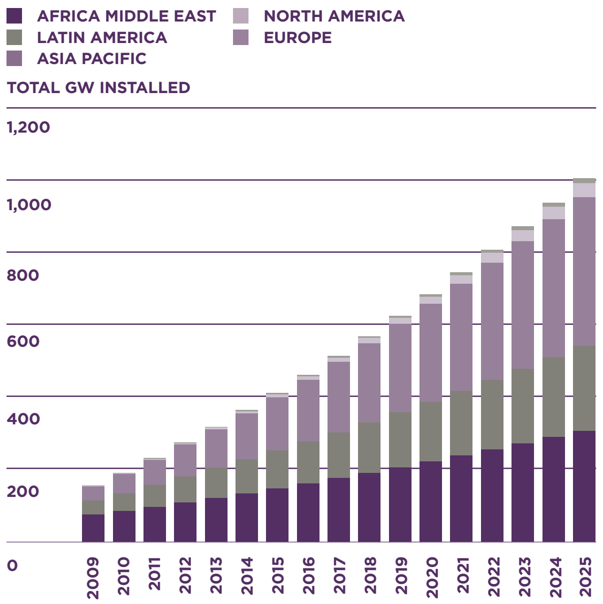
Source: Emerging Energy Research

FINANCIAL CRISIS HAS DAMPENED RECENT WIND GROWTH IN SOME MARKETS BUT OVERALL GLOBAL GROWTH HAS REMAINED RESILIENT WITH INCREASED RENEWABLE POLICY MAKING

Despite the economic crisis, the wind industry installed 24 percent more capacity in 2009 than in 2008 to over 34.2GW, reaching 155GW of installed capacity. In the long term, EER anticipates this figure will rise steadily to over 600GW installed by 2020.

While the next one to two years may continue to prove difficult for the global wind industry across the value chain, new long-term renewable policy standards, and a growing focus on renewable energy transmission development are setting the stage for continued long-term growth as liquidity returns to the financial sector and power demand growth returns.

EXHIBIT 6: GLOBAL WIND CAPACITY ADDITIONS FORECAST



Source: Emerging Energy Research

The US market experienced record growth in 2009 with the installation of nearly 10GW of new capacity. In 2010, signing power purchase agreements (PPAs) has proven more challenging due to low gas prices and low economic activity, with new installations to fall from the previous year levels for the first time since 2004.

In this market environment, Renewable Portfolio Standards (RPSs), whether state or federal, will be one of the renewable industry's main drivers. In the US, 36 individual states have established an RPS policy.

Beyond state specific RPS policies in the US, momentum continues to build to establish a stand-alone National Renewable Energy Standard (RES). With growing bi-partisan support, a new bill was announced in September 2010 to require 15 percent of power supply across the US to come from renewables. If approved, Federal RPS legislation will provide greater clarity for investment, boost near term wind activity and unlock new state markets for growth.

In Australia, the passage of the RET is backed by a meaningful penalty of A$65 per MWh for energy retailers that fail to comply with the target. In addition legislation passed in 2010 separating household and utility-scale Renewable Energy markets, has increased the prospects for wind energy growth beyond 2011. Australia's wind installed capacity was 1.8GW at the end of 2009, up from 1.4 in 2008.

CARBON POLICY TO NARROW THE COST GAP AS RENEWABLES MATURE

While wind's cost-of-energy will remain above that for natural gas for the near-term, over the long term the adoption of a transparent price on carbon emissions, will complement falling wind energy project costs, substantially improving wind's competitive cost position to utilities seeking new forms of generation.

While the prospects of a global emissions reduction agreement have been slowed, fast-growing emerging countries are nevertheless establishing carbon polices to gain a competitive edge for their burgeoning clean power industries, and to prepare to compete in an increasingly carbon constrained global economy.

In Australia, new found policy momentum behind establishing a price on carbon could have far-reaching implications for the long-term competitive position of wind energy within Australia's power generation mix. Depending on the legislation's design and on the price of carbon emissions allowances, an Australian GHG policy leading to greater international cooperation and action holds promise to result in wind power becoming the least-cost power generation option available to Australian utilities while advancing the prospects of achieving a 20 percent renewables target.

In the absence of carbon policy, recovery in the price of natural gas will likely be linked closely to the general economic recovery from the current recession. Moreover, natural gas production-price linkages, LNG infrastructure challenges, and ongoing conflicts in the Middle East are expected to continue contributing to price volatility through the next decade. As such, utility procurement of wind power as a long-term hedge against fossil fuel price volatility is expected to continue.

ASSET SUMMARY

COUNTRY	WIND REGION	NUMBER OF WIND FARMS	CAPACITY (MW) Total	CAPACITY (MW) Ownership[1]	NUMBER OF TURBINES	LONG TERM CAPACITY FACTOR	ENERGY SALE[2]
Australia	New South Wales	2	182.7	182.7	87		
	South Australia	3	278.5	278.5	112		
	Western Australia	1	89.1	89.1	54		
Sub Total[3]		**6**	**550.3**	**550.3**	**253**	**34%**	**PPA & Market**
Germany		12	128.7	128.7	78	22%	Fixed Tariff
US	US – Central	1	300.5	200.3	274		
	US – Mid West	3	186.2	172.5	136		
	US – North East	3	111.5	98.7	57		
	US – North West	1	41.0	20.5	41		
	US – South	8	829.6	509.4	607		
	US – South West	2	88.0	88.0	63		
Sub Total – USA		**18**	**1,556.7**	**1,089.4**	**1,178**	**35%**	**PPA & Market**
Sub Total – Operational		**35**	**2,193.7**	**1,726.4**	**1,489**	**34%**	
Sub Total – Under Construction		**1**	**42.0**	**42.0**	**20**	**40%**	
Total		**36**	**2,235.7**	**1,768.4**	**1,509**	**34%**	

[1] Ownership is shown on the basis of active Infigen ownership as represented by the percentage of B Class Member interest
[2] PPA: Power Purchase Agreement
[3] Includes assets under construction

AUSTRALIA

Alinta Wind Farm commenced full operations in January 2006 with a total installed capacity of 89.1MW.

A RENEWABLE ENERGY BUSINESS
Infigen is Australia's leading specialist renewable energy business, generating over 1.1 million MWh in FY10, equivalent to providing the power to over 140,000 homes.

In line with this position in the Australian market, Infigen's ability to access and directly supply renewable energy to a range of customers in the Australian market was the motivation behind the creation of an energy markets capability in FY10. This enables Infigen to directly supply all of the renewable energy requirements of Sydney's desalination plant.

With five operational wind farms and one under construction, totalling 550MW in capacity, Infigen is also the largest owner and operator of wind energy generation in Australia. The operational wind farms comprise the Lake Bonney Stages 1, 2 and 3 wind farms in South Australia, the Alinta wind farm in Western Australia and the Capital wind farm in New South Wales.

Infigen completed the construction of the 140MW Capital wind farm in FY10 and received development approval for its sixth wind farm, the Woodlawn wind farm located near Bungendore in New South Wales, which is close to the Capital wind farm. Infigen commenced construction of Woodlawn in August 2010 and expects to complete the project in the second half of 2011. Woodlawn will have an installed capacity of 42MW.

Infigen also owns a high quality wind energy development pipeline of approximately 1,500MW across Australia. During the year Infigen created the opportunity to expand existing sites at both the Woodlawn and Capital wind farms by 6.3MW and 70MW respectively.

During the year, Infigen formed a consortium with Suntech Power, the world's leading producer of crystalline silicon solar PV modules, to develop up to three Solar PV farms (up to 150MW in capacity) across NSW as part of the Federal Government's $1.5 billion Solar Flagships Program. The consortium was short-listed in May 2010 as one of four applicants in the solar PV category of the Program and will submit its final proposal in December 2010.

OPERATIONAL PERFORMANCE
Generation at Infigen's operational Australian wind farms for the 12 months ending 30 June 2010 was 1,137GWh, up 30 percent on the prior year, reflecting the contribution from Capital, which commenced operation in late 2009.

The Australian wind farms performed at an average Capacity Factor of 29%, down from 30 percent in the prior year, primarily due to low wind conditions and network constraints experienced in South Australia. Turbine availability decreased slightly from 94.6 percent in FY09 to 94.4 percent in FY10, reflecting gearbox rectification works at Lake Bonney 2 in the first half.

Revenue increased by 44 percent to $106.2 million, driven by the increase in operating capacity and the recovery of warranty performance payments. Uncontracted RECs were sold at an average price of $44.30/REC, significantly above the average spot-market price of $37.50/REC. EBITDA margins in the Australian business increased to 81.1 percent in FY10, up from 80.0 percent in FY09.

Infigen revised its long-term energy production assumptions during the year, in accordance with its stated policy of reviewing long-term estimates after two to three years of operational history. As a result of this review, the long-term capacity factor estimate for Australia was revised from 36 percent to 34 percent.

AUSTRALIAN WIND ENERGY INDUSTRY[1]
Australia has some of the world's best wind resources and is a major growth market for wind energy. At the end of 2009 the Australian wind energy market had a total capacity of 1,712MW, with an additional 7,000MW of projects proposed for development or construction.

The policy environment for renewable energy in Australia has improved considerably in recent years. Legislation to implement an expanded national Renewable Energy Target (RET) scheme was initially passed by the Commonwealth Parliament in August 2009 and will ensure that 45,000GWh, or 20 percent of Australia's electricity supply, comes from renewable sources by 2020. This expanded target commenced on 1 January 2010.

However an oversupply of renewable energy certificates, caused by support measures for domestic small scale technologies, led the Federal Government in February 2010 to propose a split of the RET scheme into two parts – the Small-scale Renewable Energy Scheme (SRES) and the Large-scale Renewable Energy Target (LRET). On 24 June 2010, these amendments to the RET were passed by the Commonwealth Parliament.

The two schemes combined are intended to meet, and possibly exceed, the 20 percent target, with the LRET portion being 41,000GWh by 2020. The degree to which the 20 percent target might be exceeded will depend on the uptake of small-scale technologies by households, small business and community groups.

The changes to the RET legislation provide for just over 90 percent of the expanded RET target to be met by efficient large scale renewable energy projects, improving the prospect of achieving the national interest objective of having 20 percent of Australia's electricity sourced from renewable energy by 2020.

As the RET scheme is technology neutral and encourages the target to be fulfilled at least cost, it is expected that wind energy, being the most cost competitive form of renewable energy generation, will contribute significantly to Australia's future generation mix. The RET is a key component of the Government's emissions mitigation strategy and is part of the Government's longer term target of reducing Australia's emissions by 60 percent below 2000 levels by 2050.

[1] Statistics provided by Global Wind Energy Council (GWEC) (2009)

NUMBER OF WIND FARMS
6

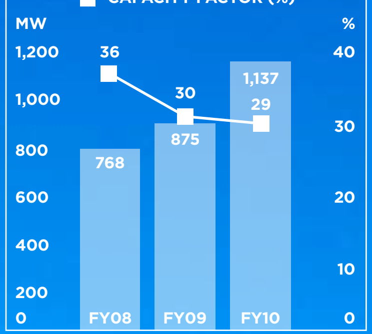
NUMBER OF TURBINES
253

CAPACITY (MW)[1]
550

LONG TERM CAPACITY FACTOR
34%

GENERATION (GWh)
1,137

CAPACITY FACTOR AND PRODUCTION[2]



[1] Includes Woodlawn (42MW) which is under construction.
[2] Includes estimates of performance-related compensated production.

UNITED STATES

A LEADING WIND ENERGY GENERATION BUSINESS

Infigen's US business comprises 18 wind farms across six wind regions with a total installed capacity of 1,089.4MW[1]. Infigen is the eighth largest wind energy owner in the US market and is also a substantial wind farm asset manager through its subsidiary Bluarc Management Group.

OPERATIONAL PERFORMANCE

Generation in the US for the 12 months ending 30 June 2010 was 2,950GWh, down 7 percent on the prior year. The average capacity factor achieved across the portfolio was 31%, down from 34 percent in the prior period. Both results were due to a significantly lower than normal wind resource experienced during the year.

Turbine availability was maintained at a steady 94.6 percent. However revenue decreased by 9 percent to US$132.7 million[2], also a result of the reduced wind resource.

Infigen revised its long-term energy production estimates during the year, in accordance with its stated policy of reviewing long-term estimates after two to three years of operational history. As a result of this review, the long-term capacity factor estimate for the US was revised from 37 percent to 35 percent.

Total operating costs for Infigen's US wind energy business increased by 7.0 percent to US$53.8 million, largely as a result of the step-up in wind farm operating costs following expiration of the initial Original Equipment Manufacturer (OEM) Warranty Operations and Maintenance (WOM) agreements. This cost increase is being experienced by all wind energy market owners in the US and is driven by a number of factors, including the pressures of a fast growing industry on component part supply chains and skilled technician shortages.

Bluarc Management Group was successfully integrated into Infigen's business during the year, providing a range of asset management services to all of Infigen's wind farms in the US. This in-house asset management capability is key to Infigen's strategy of taking direct operational control of all wind farm activities post the initial OEM WOM agreements.

Infigen will continue to focus on maximising the operational performance of its US wind energy assets by minimising downtime of the wind farms and by ensuring effective cost control beyond the initial OEM WOM period, two of the primary goals of the direct control strategy.

Caprock has a total installed capacity of 80MW and an expected net energy output of 316.6GWh per annum.

US WIND ENERGY INDUSTRY[3]

The US wind energy industry continued to experience substantial growth in 2009 with a record 9,996MW of new capacity installed during the year. This growth represents a 40 percent increase in new installations over 2008, with the five-year average annual growth rate for the industry reaching 39 percent. At the end of 2009, the US was the largest wind market in the world, with total generating capacity of over 35,000MW.

Historically, the primary Federal Government incentive for wind energy development has been the Production Tax Credit (PTC) system, which provides an income tax credit for electricity generated with wind energy for the first 10 years of a qualifying project's operations. All of Infigen's assets benefit from this incentive.

In recent years there have been a number of policy initiatives proposed or implemented to further encourage investment in renewable energy in the US. In February 2009, the US Congress passed the American Recovery and Reinvestment Act (ARRA) economic stimulus package, which included: a three-year extension to the PTC through December 2012; an option to elect a 30 percent Investment Tax Credit (ITC) as an alternative to the PTC; a new US$6 billion Department of Energy (DOE) renewable energy loan guarantee program, and targeted provisions to encourage investment in new transmission infrastructure.

In addition, State-based incentives and targets provide further impetus to the growth of the US wind energy market. There are currently 36 States and one District in the US with renewable energy usage targets, which include specific Renewable Portfolio Standard (RPS) policies.

All of these measures continue to demonstrate the increased focus of the US in promoting renewable energy, driven by concerns regarding our environment, energy security and the rising costs of fossil fuels used in traditional forms of electricity generation.

[1] On the basis of active ownership as represented by the percentage ownership of Class B Member interest.
[2] Excludes US$7.9 million of revenue from Bluarc Management Group.
[3] Statistics provided by GWEC (2009).

NUMBER OF WIND FARMS
18

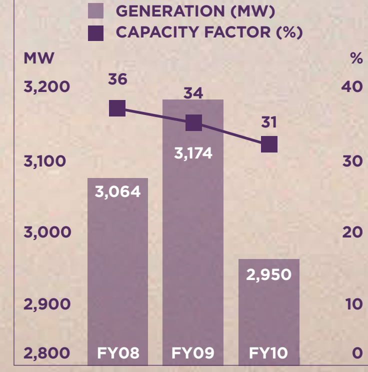
NUMBER OF TURBINES
1,178

INSTALLED CAPACITY (MW)
1,089

LONG TERM CAPACITY FACTOR
35%

GENERATION (GWh)
2,950

CAPACITY FACTOR AND PRODUCTION[1]



[1] Includes estimates of performance-related compensated production.

GERMANY

Infigen's presence in Germany comprises 12 wind farms with a total installed capacity of 128.7MW.

Generation at Infigen's German wind farms for the 12 months ending 30 June 2010 was 212GWh, up 27 percent on the prior year, reflecting the first full period contribution from wind farms previously under construction.

The German wind farms generated an average tariff of €88.7/MWh and achieved an EBITDA margin of 72.9 percent. The wind farms achieved an average capacity factor of 19 percent in FY10, up from 18 percent in the prior year. Turbine availability improved to 96.4 percent following the rectification of blade issues that affected availability in FY09.

Infigen revised its long-term energy production assumptions during the year, in accordance with its stated policy of reviewing long-term estimates after two to three years of operational history. As a result of this review, the long-term capacity factor estimate for Germany was revised from 24 percent to 22 percent.

Infigen will continue to focus on optimising the operational performance of its German wind energy assets.

GERMAN WIND ENERGY INDUSTRY[1]

The wind energy market in Germany is the third largest in the world, with a cumulative installed capacity of 25,777MW or around 16 percent of global cumulative installed capacity, as at the end of 2009. The German wind energy market experienced moderate growth in 2009, adding 1,917MW of new capacity during the year, compared to 1,665MW of capacity installed during 2008.

The German market is supported by a stable regulatory environment aimed at achieving its long-term renewable energy goals. In 1991, Germany introduced a feed-in law that helped develop the wind energy market. In 2000, the Renewable Energy Sources Act (EEG) was passed, creating new incentives for investment, innovation and growth in the German renewable energy market. Under the EEG, electricity produced from renewable energy sources is given priority connection to the grid and wind farms are paid a fixed tariff for electricity produced for a period of up to 20 years.

The EEG was most recently amended in 2008, with new tariffs and regulations taking effect on 1 January 2009 for wind farms completed from 2009 to 2013. The initial tariff for onshore wind energy was increased to €92/MWh (up from €87/MWh). Infigen's Calau (8MW), Langwedel (20MW) and Leddin (10MW) wind farms benefit from these improved tariff arrangements.

[1] Statistics provided by GWEC (2009).

Eifel, in the South-Western region of the Rhineland-Palatinate, has 23 turbines in operation

NUMBER OF WIND FARMS
12

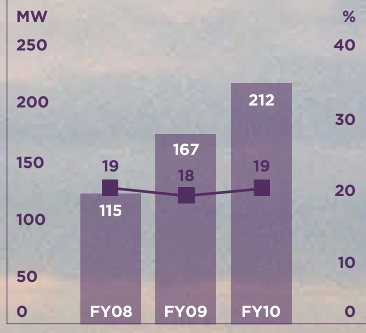
NUMBER OF TURBINES
78

INSTALLED CAPACITY (MW)
129

LONG TERM CAPACITY FACTOR
22%

GENERATION (GWh)
212

CAPACITY FACTOR AND PRODUCTION[1]



[1] Includes estimates of performance-related compensated production.

SUSTAINABILITY REPORT

Infigen believes that to be a sustainable business, we must take our social, environmental and economic responsibilities very seriously. While we want to continue to improve the performance of our business, we seek to do so in a responsible way.

We have shaped our business practices to ensure that we integrate sustainability into all initiatives.

The commitments we have made are:

— To balance the economic, social and environmental demands of all of our activites.

— To provide a safe and healthy work environment for all employees, contractors and visitors at our places of work.

— To minimise our impact on the environment, with the protection of all aspects of the environment a priority.

— To strive for continued excellence with respect to both our environmental performance and community participation in our activities.

We believe that companies which behave ethically, treat their people well and contribute to the communities in which they operate, are companies that people want to be associated with – whether as customers, employees, suppliers or shareholders.

OCCUPATIONAL HEALTH AND SAFETY
Infigen's first priority is the safety of our people and the communities in which we operate. Our goal is zero lost time incidents and injuries.

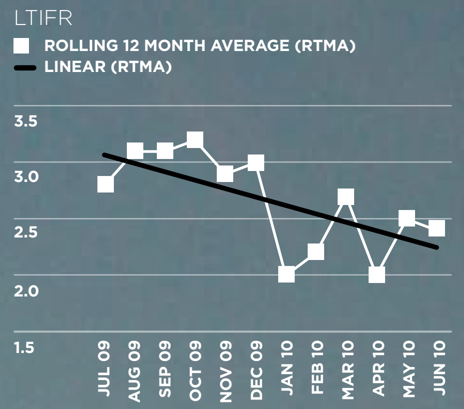
Our global team consists of approximately 180 people managing 36 wind farms in three countries, with activities comprising asset management, energy markets, construction, development and corporate functions.

Infigen's Wind Safety Executive Committee is provided with a regular update on the safety performance of the assets in each country where we operate and asset managers are held accountable for safety performance.

For the period 1 July 2009 to 30 June 2010, the Total Reportable Incident Rate (TRIR) and Lost Time Injury Frequency Rate (LTIFR) for the group were as follows:

Infigen Energy Group	TRIR (per 200,000 working hours)	LTIFR (per 200,000 working hours)
FY09	6.1	2.8
FY10	5.3	2.5

Our Lost Time Injury Frequency Rate continues to trend down under active management, as shown in the graph below.



ENVIRONMENT
As a specialist renewable energy business, we are particularly conscious of the greenhouse gas emissions generated by our activities.

In 2008 we began developing knowledge of our emissions, and we successfully fulfilled our reporting requirements under the National Greenhouse & Energy Reporting Act 2007 (NGER) for the inaugural report for the 12 months ending 30 June 2009. This report will be an ongoing requirement for Infigen Energy.

NGER requires organisations that produce or consume 500 TJ of energy or emit 125 kt CO2–e gases as a whole, or have a facility that produces or consumes 100 TJ of energy or emit 25 kt of CO2–e gases to report to the Department of Climate Change on their activities that produce greenhouse gases[1]. Infigen Energy was required to report based on the energy produced as an organisation.

The NGER Act will underpin the introduction of an emissions trading scheme, assist all levels of government in policy formulation, programs and activities, as well as help meet Australia's international reporting obligations.

Infigen Energy's reported production of greenhouse gases, energy used and produced for Australia in FY09 was as follows;

GHG Emissions[1]

Scope 1 (tCO2–e)	Scope 2 (tCO2–e)	Total of Scope 1 & 2 (tCO2–e)
9	1,749	1,758

Energy

Energy Consumed (GJ)	Energy Produced (GJ)
7,548	3,099,459

Infigen has also participated in the Carbon Disclosure Project (CDP) since 2008. The CDP is an annual emissions and energy reporting survey backed by 475 institutional investors globally.

On an operational level, all of our wind farms undergo comprehensive environmental assessments before being granted development approval. They are also bound to obligations under environmental management programs which are approved by the relevant planning authorities.

These environmental obligations cover areas such as control of soil erosion and sedimentation, management of bushfire-related risks, directions on waste handling and disposal and the minimisation of any potential impacts our wind farms may have on flora and fauna habitat. At Infigen we take these obligations very seriously.

Our approach to the recently commissioned Capital wind farm is an example. Some parts of Capital were subject to erosion. During the construction phase Infigen worked with the contractors to prevent further erosion and then developed plans to repair the landscape.

We carried out extensive work on site to rehabilitate the land, including planning the planting of 3,000 trees with Trees for Earth and landowners.

COMMUNITIES IN WHICH WE PARTICIPATE
Community relationships are very important to Infigen. We are involved with communities during the planning and development stages of new projects, and then during the life of each wind farm.

We are committed to ongoing engagement with all the communities in which we operate through regular communication and a clear flow of information, to ensure that any concerns can be easily raised and then addressed.

Infigen also actively supports local communities, schools and sporting organisations through sponsorship and employee participation at events.

During the year Infigen was the major sponsor of the 2010 Weereewa Festival, a bi-annual event held on the shores of Lake George in NSW to celebrate the unique history and ecology of the region.

This year's theme, Winds of Change, was inspired by Infigen's Capital wind farm, which is seen as a symbol of the change sweeping through the local region, and more broadly across the world, with respect to the growth of renewable energy and creating a more sustainable future.

As Major Sponsor of the Festival, Infigen funded the two headline events: the Weereewa Sculpture Prize, a sculpture competition and exhibition on the lakebed itself, and the En Plein Air weekend, a two-day painting event involving some of Australia's most prominent landscape and environmental artists.

Infigen was also a major sponsor of the 2010 Beachport Festival by the Sea, a bi-annual event held to celebrate the Limestone Coast region of South Australia.

The 2010 Festival's theme was SeaFari: A Celebration of Fish, Food and Fun, and involved a celebration of Beachport as a seaside town, its history, and its 'wild and wonderful' natural environment.

Infigen provides employment opportunities in regional communities, both during the construction and the ongoing operation of our wind farms.

[1] CO2–e: Carbon dioxide equivalent; tCO2–e: Tonnes of carbon dioxide equivalent gas.

INFIGEN BOARD

GRAHAM KELLY
Non-Executive Chairman

Graham was appointed an independent non-executive director of Infigen Energy in October 2008 and was subsequently elected Chairman in November 2008. He is a member of the Nomination & Remuneration Committee.

Graham has extensive experience in academic life, government service, diplomatic service, private legal practice and business management.

Graham currently holds several directorships including serving as Non-Executive Chairman of Tishman Speyer Office Fund, Centrebet International Limited and Oasis Fund Management Limited. He is also a non-executive director of ING Funds Management Limited and ING Custodians Pty Limited.

MILES GEORGE
Managing Director

Miles is the Managing Director of Infigen Energy, having previously been the Chief Executive Officer since 2007. Miles was appointed an executive director in January 2009.

Miles has over 20 years experience in the infrastructure and energy sectors, and in particular renewable energy development and investment.

Since 2000, Miles has been involved in development and investment in wind energy projects in Australia, including playing a key role in the development of Infigen's first wind farm at Lake Bonney in South Australia. Miles jointly led the team which established the business now known as Infigen Energy in 2003. Subsequently he jointly led the team which structured and implemented the Initial Public Offer and listing of Infigen's business on the ASX in 2005.

ANTHONY BATTLE
Non-Executive Director

Anthony (Tony) was appointed an independent non-executive director of Infigen Energy in September 2005. He is Chairman of the Nomination & Remuneration Committee and a member of the Audit, Risk & Compliance Committee.

Tony held executive management and director positions in the banking and finance industry for more than 30 years. Tony was responsible for negotiating, evaluating and closing large and complex transactions. These included asset based, project finance, corporate, merger and acquisition, infrastructure, privatisation and cross-border financings.

DOUGLAS CLEMSON
Non-Executive Director

Doug was appointed an independent non-executive director of Infigen Energy in September 2005. He is Chairman of the Audit, Risk & Compliance Committee and a member of the Nomination & Remuneration Committee.

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.

Doug's previous directorships include General and Cologne Reinsurance, Electric Power Transmission Group, ABB Australia, and New Zealand, and Smiths Industries.

MICHAEL HUTCHINSON
Non-Executive Director

Mike was appointed an independent non-executive director of Infigen Energy in June 2009. He is a member of the Audit, Risk & Compliance Committee and the Nomination & Remuneration Committee.

Mike was formerly an international transport engineering consultant and has extensive experience in the transport and communications sectors, including as a senior official with the Australian Government.

Mike is currently an independent non-executive director of the Australian Infrastructure Fund Ltd and EPIC Energy Holdings Ltd. Mike has previously been an independent non-executive director of 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.

INFIGEN MANAGEMENT

MILES GEORGE
Managing Director

Miles was appointed Managing Director of Infigen Energy in January 2009, having previously been the Chief Executive Officer since 2007.

He has over 20 years experience in the infrastructure and energy sectors and, in particular, renewable energy development and investment. He 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.

Miles holds degrees of Bachelor of Engineering and Master of Business Administration (Distinction) from the University of Melbourne.

GEOFF DUTAILLIS
Chief Operating Officer

Geoff is the Chief Operating Officer of Infigen Energy, with responsibility for global asset management and operational activities.

Geoff has worked with Infigen Energy since early 2005 and was instrumental in preparing the business for its Initial Public Offering later that year.

Previously, Geoff worked at Lend Lease for almost 19 years, including seven years based in London with the company's European property development business. Geoff has extensive experience in the development and project management of major projects, having had leadership roles on a number of landmark developments, including Bluewater in the United Kingdom, at that time the largest retail and leisure complex in the UK, and as Project Director for the Rouse Hill Regional Centre, a 100 hectare mixed-use community centre in north-west Sydney.

Geoff holds a Bachelor of Engineering (Civil) (Hons) from the University of NSW with additional qualifications in management (AGSM), property and finance.

GERARD DOVER
Chief Financial Officer

Gerard is the Chief Financial Officer of Infigen Energy. As well as being a member of the executive team, he is responsible for the Finance, Treasury, Tax, IT, HR and Investor Relations functions.

Gerard joined Infigen in September 2006. Prior to this, between 1990 and 1996, he worked with Price Waterhouse in the UK and Sydney. He then joined AstraZeneca in the UK, holding a number of finance roles before working on the IPO of Syngenta AG, arrangement of their syndicated bank facilities and a series of capital markets transactions. More recently, Gerard was CFO of Syngenta Crop Protection in Australasia.

Gerard has been a member of the Institute of Chartered Accountants in England and Wales since 1993 and a Member of Corporate Treasurers since 2003. He holds a Bachelors degree in Banking and Finance.

From left Miles George, Geoff Dutaillis and Gerard Dover.

AUSTRALIA

ANDREW GEORGE
General Manager — Energy Markets

Andrew is the General Manager of Energy Markets for Infigen Energy and has responsibility for the commercialisation of Infigen's Australian assets and for growing its role in the Australian energy market.

Prior to this, Andrew spent 4 years operating an independent consultancy within the energy sector in relation to operational, strategic and M&A matters.

Previously, Andrew held the position of General Manager, Energy Markets for Alinta Limited, overseeing its growth from a WA gas retailer into a gas and electricity market player in both WA and the eastern states.

Andrew's experience over more than 20 years also includes roles with PricewaterhouseCoopers, Energex, QPTC/Enertrade and Santos. He is a Chartered Accountant, holds a Bachelor of Commerce from the University of Melbourne, post-graduate qualifications in Marketing and is a member of the Australian Institute of Company Directors.

SCOTT TAYLOR
General Manager — Generation

Scott is the General Manager of Infigen's Generation unit and has responsibility for managing the operation, service and maintenance and construction divisions of the business.

Scott previously managed Infigen's US wind energy business and was also involved in a number of business transition, strategy development and risk management functions both in Australia and the US.

Prior to joining Infigen Scott has held a number of senior management roles, over more than a decade, at Queensland Rail, Tarong Energy, Energex, and Comalco Smelting

Scott is a Graduate and facilitator with the Australian Institute of Company Directors, Fellow of the Risk Management Institute of Australia and Industry Fellow of the University of Queensland (UQ) Business School. Scott holds a Bachelor Degree of Science (UNSW), and post graduate degrees in Information Systems (UC) and Business Administration (UQ).

DAVID GRIFFIN
General Manager — Development

David is the General Manager of Development for Infigen Energy and was previously responsible for leading the greenfield development of Infigen's 89MW Alinta wind farm in WA and 140MW Capital wind farm in NSW.

David was a Major in the Australian Army where he served for 13 years prior to establishing his own company and initiating the development of these wind farms. David has extensive knowledge of all facets of wind farm development, strong knowledge of the Australian market and current and emerging wind turbine generator manufacturers.

He holds a Master of Arts (International Relations) from the University of New South Wales with additional qualifications in management.

UNITED STATES

CRAIG CARSON
CEO – Infigen US

Craig joined Infigen Energy in September 2010 and has responsibility for all of Infigen's activities in the US.

Craig has more than twenty years of leadership and senior management experience in the energy industry. Prior to joining Infigen, Craig was Vice President, US Cogeneration for BP Alternative Energy. He had full P&L responsibility for BP's US Cogeneration business unit, with 165 employees, operating capacity exceeding 2,000MW and 600MW of projects in early development. Craig previously held a series of senior positions with BP Alternative Energy with responsibility for asset management, construction and operations.

Prior to joining BP, Craig held senior positions with ConocoPhillips and SkyGen Energy, leading the engineering, construction and management of a number of wind and thermal power facilities.

Craig holds a BS in Mechanical Engineering from the University of Illinois and a Masters of Business Administration from Kellogg School of Management.

DAVID BARNES
CEO Bluarc Management Group LLC

David has worked with Infigen Energy since 2005, having led the development of the group's North American operations and asset management business. In June 2009, he was appointed CEO of Infigen's North American asset management business, renamed Bluarc Management Group LLC. David is experienced with developing, operating, supervising and managing wind generation projects, including acting as a project independent engineer and compiling fully qualified project operating teams in Spain and the US. David has previously held senior management positions at Garrad Hassan, Terranova Energy, SeaWest and several wind turbine manufacturers.

EUROPE

HOLGER MARG
European Asset Manager

Holger joined Infigen Energy in 2008 as the group's European Asset Manager to manage the operational requirements for Germany and France. Upon the establishment of Infigen Energy GmbH in April 2009, Holger was appointed Managing Director, based in Munich. Prior to joining Infigen, Holger was a Wind Farm Portfolio Manager at Deutsche Immobilien Leasing GmbH, a subsidiary of Deutsche Bank AG.

CORPORATE STRUCTURE

The Infigen Energy group ("**IFN**") 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

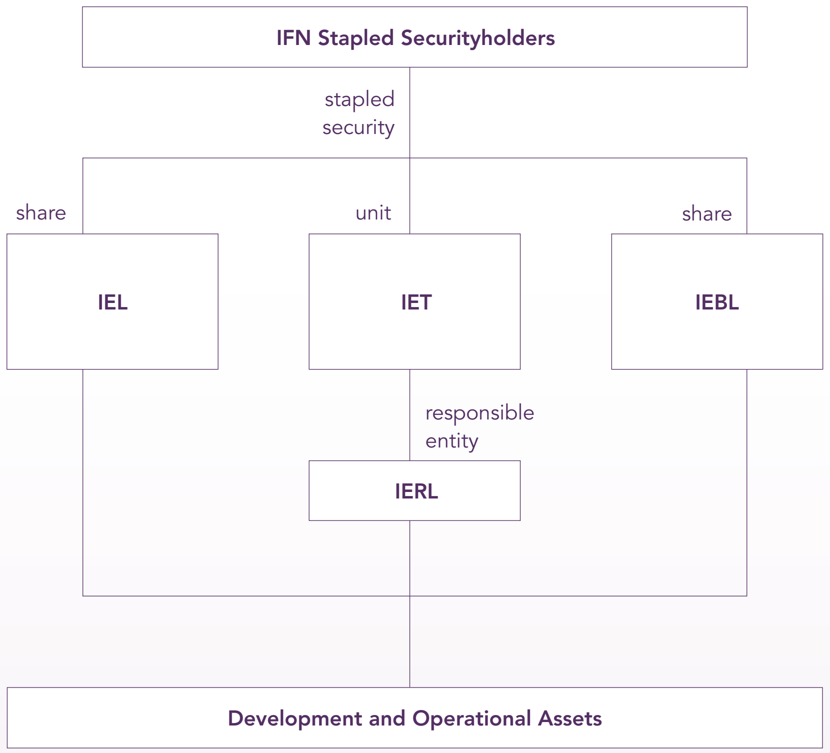
— the subsidiary entities of IEL and IET.

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 IFN group was established immediately prior to listing on the Australian Securities Exchange in 2005 and is currently unable to be simplified due to provisions within the group's corporate facility.

The following diagram represents the structure of the Infigen Energy group.



CORPORATE GOVERNANCE STATEMENT

INTRODUCTION – STRUCTURE OF THE INFIGEN ENERGY GROUP

This statement outlines Infigen Energy's corporate governance framework as at 30 September 2010. A copy of this statement and other relevant documents and summaries can be accessed from the Corporate Governance section on our website at www.infigenenergy.com.

The Infigen Energy group ("IFN") comprises the following:

— Infigen Energy Limited ("IEL"), ACN 105 051 616, a public company incorporated in Australia;

— Infigen Energy (Bermuda) Limited ("IEBL"), ARBN 116 360 715, a company incorporated in Bermuda;

— Infigen Energy Trust ("IET"), ARSN 116 244 118, a managed investment scheme registered in Australia, of which Infigen Energy RE Limited ("IERL"), ACN 113 813 997, AFSL 290710, is the responsible entity; and

— the subsidiary entities of IEL and IET.

Any reference contained in this statement to IERL is a reference to IERL in its capacity as responsible entity of IET.

Shares issued by IEL and IEBL, as well as units issued by IET, are stapled together to form IFN stapled securities ("IFN securities"). These IFN securities are quoted on the ASX under the market code 'IFN'.

Interaction between the roles of IEL, IEBL and IERL

The Boards of IEL, IEBL and IERL (the "IFN Boards"), are responsible for overseeing the rights and interests of all investors in IFN and are accountable to them for the overall governance and management of IFN.

The IEL Board, in consultation and agreement with the IEBL and IERL Boards, formulates and approves the strategic direction, investment objectives and goals of IFN in accordance with the terms of the stapling deed agreed by the parties on 16 September 2005 ("Stapling Deed"). In practice, IEL was primarily responsible for conducting the day-to-day operations of IFN during the 2010 financial year, and will continue to consult and exchange information with and seek the agreement of IEBL and IERL when making relevant decisions in relation to IFN.

The Stapling Deed sets out the terms and conditions of the relationship between IEL, IEBL and IERL in respect of IFN, for so long as the units in IET and the shares in IEL and IEBL remain stapled. In summary, the Stapling Deed provides that each of IEL, IEBL and IERL must:

— co-operate in respect of all matters relating to IFN and consult with each other prior to causing any act to be done or omission to be made which may materially affect the value of IFN securities;

— make available to each other all information in their possession necessary or desirable to fulfil their respective obligations under the Stapling Deed;

— co-operate with each other to ensure that each complies with its obligations under the ASX Listing Rules and co-ordinate disclosure to the ASX and investors;

— act consistently with the investment strategy of IFN as agreed between them and consult with each other on implementation of this strategy and any changes to its implementation;

— co-operate to ensure that meetings of IEL and IEBL shareholders and IET unitholders are held concurrently or, where necessary, consecutively;

— co-operate on the terms and timing of all new issues, bonus and rights issues, placements, redemptions, buy-backs and any dividend or distribution reinvestment plans; and

— co-operate with each other to ensure that the Boards of IEL, IEBL and IERL have a common sub-group of Directors.

Therefore, it is by operation of the Stapling Deed that the Boards of IEL, IEBL and IERL are together responsible for overseeing the rights and interests of securityholders in IFN and accountable to securityholders for the overall corporate governance and management of IFN.

CORPORATE GOVERNANCE FRAMEWORK – ASX PRINCIPLES AND RECOMMENDATIONS

The establishment of a sound framework of corporate governance and the implementation of the corresponding governance culture and processes throughout IFN is one of the primary responsibilities of the IFN Boards. The IFN Boards recognise that they are accountable to securityholders for the performance of IFN and, to that end, are responsible for instituting and ensuring IFN maintains a system of corporate governance that operates in the best interests of securityholders whilst also addressing the interests of other key stakeholders. A comprehensive corporate governance framework and good governance policies and procedures can add to the performance of IFN, the creation of securityholder value and engender the confidence of the investment community.

The ASX Corporate Governance Council's current *Corporate Governance Principles and Recommendations* guideline was released on 30 June 2010. This amended second edition of the guideline articulates 8 core principles ("ASX Principles") that the Council believes underlie good corporate governance, together with 30 recommendations ("ASX Recommendations") for implementing effective corporate governance.

The 2010 amendments to the revised guideline do not apply to IFN until the financial year commencing 1 July 2011. Notwithstanding, the IFN Boards advise that IFN's corporate governance framework and policies follow the revised guideline other than the new recommendations concerning formal adoption of a diversity policy and related reporting (recommendations 3.2, 3.3 and 3.4). It is IFN's intention to adopt a diversity policy during the current financial year.

The ASX Listing Rules require listed entities such as IFN to include a statement in their annual report disclosing the extent to which they have followed the ASX Principles and ASX Recommendations during the reporting period, identifying any ASX Recommendations that have not been followed and providing reasons for any variances. This Corporate Governance Statement is structured with reference to the ASX Recommendations within the amended second edition of the ASX guideline released on 30 June 2010.

ASX PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of Board and management.

ASX Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The IFN Boards have each adopted a formal Board Charter which details the functions and responsibilities of the relevant Board and distinguishes such functions and responsibilities from those which have been delegated to management. A summary of the Board Charters is available in the Corporate Governance section on IFN's website at www.infigenenergy.com.

As outlined in the respective Board Charters, the IFN Boards are together responsible for the management of the affairs of IFN. In acquitting their responsibilities, the Boards, amongst other things:

- contribute to and approve IFN's corporate strategy;
- evaluate and approve capital expenditure, acquisitions, divestitures and other material corporate transactions of IFN;
- determine IFN's distribution policy and the amount and timing of all distributions paid to IFN's securityholders;
- approve material IFN policies, including IFN's Code of Conduct, Health and Safety Policy, Securities Trading Policy, Continuous Disclosure Policy, Risk Management Policy and other compliance-related policies;
- approve all accounting policies, financial reports and material reporting by IFN;
- approve the appointment or removal of the Chief Executive Officer ("CEO");
- develop a succession plan for the CEO, and approve succession plans for other senior managers;
- monitor the performance of the CEO and the other key management personnel in the management team;
- consider recommendations of Board Committees, such as the Audit, Risk & Compliance Committee and Nomination & Remuneration Committee;
- approve the appointment and terms of appointment of the external auditor;
- consider, approve and monitor the effectiveness of IFN's overall risk management and control framework, through, among other steps, regular reports to the Board from the Audit, Risk & Compliance Committee and regular updates (as required) from management on significant risk issues;
- review the performance and effectiveness of IFN's corporate governance policies and procedures and consider any amendments to those policies and procedures;
- monitor IFN's compliance with ASX continuous disclosure requirements;
- subject to the constituent document of the relevant IFN entity, approve the appointment of Directors to the relevant Board and members to Committees established by the Board; and
- at least annually, review and evaluate the performance and effectiveness of the Boards, each Board Committee and each individual Director against the relevant charters, corporate governance policies and agreed goals and objectives of IFN.

The Boards have delegated detailed review and consideration of a number of these responsibilities to their respective Committees (refer Principle 2). The Board Charters also set out the specific powers and responsibilities of the Chair and the CEO (refer Principle 2).

Each IFN Board acts independently in exercising its separable responsibilities for each entity. Where there are joint responsibilities the Boards co-operate as provided for in the Stapling Deed. In practice this is given effect by concurrent Board meetings to address relevant matters.

The Board Charters also include an outline of the responsibilities of each Director. To assist Directors to understand IFN's expectations of them, all Non-Executive Directors have entered into formal letters of appointment and been provided with copies of relevant Board Charters and policies. The Managing Director has a formal letter of employment governing his rights and responsibilities as an executive within the IFN group.

ASX Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Nomination & Remuneration Committee of the IEL Board has responsibilities relating to the review and monitoring of the performance of the IFN Boards, the Chair and other individual members of the IFN Boards, and for establishing key performance indicators against which the performance of the CEO and other key management personnel are evaluated.

At the commencement of the 2010 financial year, the CEO and other senior managers established individual key performance indicators against which their performance would be evaluated. At the conclusion of the financial year, the review of the performance of these key executives is undertaken by the CEO in conjunction with the Nomination & Remuneration Committee.

The Remuneration Report within the Directors' Report contains details of IFN's remuneration framework and policies, including other key performance conditions that are assessed in determining the total remuneration of the CEO and other senior managers in the management team. The Remuneration Report also contains details of total remuneration, including short and long term incentive structures.

ASX Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

The information indicated in the Guide to reporting on Principle 1 has been included in this Corporate Governance Statement.

CORPORATE GOVERNANCE STATEMENT

ASX PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Structure of the Board

ASX Recommendation 2.1: A majority of the board should be Independent Directors.

The size and composition of each of the IFN Boards is determined in accordance with the Constitution of the relevant entity and relevant corporate governance standards. It is intended that each of the IFN Boards will comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds.

With reference to the criteria set out in Recommendation 2.1, the IFN Boards have assessed the independent status of each Director. The IFN Boards comprised a majority of Independent Directors throughout the 2010 financial year. There were no changes to the IFN Boards during the financial year.

Currently, there are four Independent Directors and one Non-Independent Director (the Managing Director) on each of the IFN Boards. The IFN Boards recognise the importance of Independent Directors, particularly the external perspective and advice that these Directors can provide.

The current Directors appointed to the IFN Boards and their respective appointment dates are set out below:

		Appointment Dates		
Directors	**Position**	**IEL Board**	**IEBL Board**	**IERL Board**
G Kelly	Independent Chair	20/10/08	20/10/08	20/10/08
A Battle	Independent Director	9/9/05	14/9/05	9/9/05
D Clemson	Independent Director	9/9/05	14/9/05	9/9/05
M Hutchinson	Independent Director	18/6/09	18/6/09	18/6/09
M George	Managing Director	1/1/09	1/1/09	1/1/09

Directors are entitled to seek independent professional advice, collectively or on an individual basis (including, but not limited to, legal, accounting and financial advice), at IFN's expense on any matter connected with the discharge of their responsibilities, in accordance with the procedures set out in the Board Charters.

The continued tenure of each individual Director is subject to re-election from time to time in accordance with the ASX Listing Rules and the respective Constitutions and Bye-Laws of IEL, IERL and IEBL.

Board Committees and Membership

The IFN Boards have established standing Committees to support an effective governance framework and to advise and support the IFN Boards in carrying out their respective responsibilities. The Chair of each Committee reports the matters considered by the Committee at the next Board meeting. The Committees in existence at the date of this report are as follows:

- IEL, IEBL and IERL Audit, Risk & Compliance Committees; and
- IEL Nomination & Remuneration Committee.

Each Committee has its own Charter setting out the authority under which the Committee operates and the responsibilities as delegated by the IFN Boards. Charters are reviewed annually and membership criteria are based on the skills and experience of Directors and their ability to add value to the Committee. The CEO attends all Committee meetings by invitation and Directors may attend any meeting of a Committee.

The Board Committees and their membership as at 30 September 2010 are set out below:

Directors	**Audit, Risk & Compliance Committees**	**Nomination & Remuneration Committee**
G Kelly	No	Yes
A Battle	Yes	Yes (Chair)
D Clemson	Yes (Chair)	Yes
M Hutchinson	Yes	Yes
M George	No	No

ASX Recommendation 2.2: The chair should be an independent Director.

The Chair of the IFN Boards, Mr Graham Kelly, is an Independent Director.

ASX Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of Chair and CEO are exercised by different people for IFN. The respective roles and responsibilities of the Chair and the CEO are described in the Board Charters. The Chair is not a former CEO of IFN or any related party of IFN.

Nomination Committee

ASX Recommendation 2.4: The Board should establish a nomination committee.

The IEL Board established a Nomination & Remuneration Committee in February 2007. It is responsible for advising the IFN Boards on the composition of the Boards and their Committees, and reviewing the performance of the Boards, their Committees and individual Directors, as well as its remuneration-related responsibilities.

Throughout the 2010 financial year, and currently, the Committee comprised four members, all of whom are Independent Directors. The Committee is chaired by Mr Tony Battle, an Independent Director, who is not Chair of the IFN Boards or any other Board Committee. The Committee met seven times throughout the 2010 financial year and the attendance of the Committee members at Committee Meetings is outlined in the Directors' Report.

Consistent with the intent and philosophy that underpins the terms of the Stapling Deed that exists between IEL, IEBL and IERL (as the Responsible Entity of IET), the IEL Nomination & Remuneration Committee will, at the request of the Boards of IEBL and IERL, from time to time carry out on behalf of IEBL and IERL, similar activities as the Committee is authorised to carry out for IEL. Accordingly, the IEL Nomination & Remuneration Committee will provide to the Boards of IEBL and IERL, advice and recommendations in relation to general nomination and remuneration matters. It is the intent that the Boards of IEBL and IERL may rely on those activities, advice and recommendations as if the IEL Nomination & Remuneration Committee was a committee of the IEBL and IERL Boards.

In making recommendations to the IFN Boards regarding the appointment of Directors, the Nomination & Remuneration Committee periodically assesses the appropriate mix of skills, experience and expertise required on the relevant Board and assesses the extent to which those skills and experience are represented. The IFN Boards consider that throughout FY10 the Directors collectively possessed the range of skills, experience and expertise necessary to govern IFN.

The Nomination & Remuneration Committee has adopted a Charter, a summary of which is available on IFN's website. The responsibilities of the Committee pursuant to its Charter regarding nomination and remuneration matters include:

— periodically assessing the skills required of Directors to competently discharge the duties and obligations of the IFN Boards, and making recommendations to the Chair about how those skill levels could be enhanced;

— reviewing potential candidates for appointment to the IFN Boards and making recommendations in respect of them;

— having oversight of the IFN Boards' annual performance evaluation process;

— confirming which Directors will retire annually by rotation in accordance with the ASX Listing Rules and the Constitution and Bye-Laws of IEL and IEBL, respectively;

— making recommendations to the Board for determining the level of remuneration to be applied to Non-Executive Directors of IFN;

— providing input and advice regarding key performance indicators and remuneration of the CEO and key management personnel;

— approving the annual Remuneration Report to be included in the Directors' Report;

— considering for approval the formulation of any long-term incentive plans involving the potential issue of IFN securities; and

— monitoring and reviewing any long-term incentive plans for compliance with changes to legislation, regulation and market expectations or practices.

ASX Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.

The Nomination & Remuneration Committee periodically reviews the membership and performance of the IFN Boards, their respective Committees and individual Directors, and makes recommendations to the IFN Boards. A member of the Committee will not participate in the review of his or her own performance, nor participate in any vote regarding his or her election, re-election or Committee membership.

In relation to Directors to be nominated for re-election at the Annual General Meeting, the Nomination & Remuneration Committee firstly informs the IEL and IEBL Boards of the names of the Directors who are retiring in accordance with the ASX Listing Rules and the Constitution and Bye-Laws of each of those entities, and secondly, provides recommendations to the IEL and IEBL Boards as to whether it should support the re-nomination of such retiring Directors. In order to make such recommendations, the Committee reviews the retiring Director's performance during the period in which the Director has been a member of the IEL and/or IEBL Boards.

The Nomination & Remuneration Committee has completed its annual performance evaluation of the IFN Boards.

The Nomination & Remuneration Committee have established an induction program for new Directors, making available to them sufficient information and advice to allow them to participate fully and actively in Board decision-making at the earliest opportunity.

ASX Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

The information indicated in the Guide to reporting on Principle 2 has been included in this Corporate Governance Statement.

ASX PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making.

Code of Conduct

ASX Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

— the practices necessary to maintain confidence in the company's integrity

— the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders

— the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The IFN Boards are committed to delivering strong operational performance and improved securityholder value whilst also promoting securityholder and general market confidence in IFN and fostering an ethical and transparent culture within IFN. To this end, each IFN Board has adopted a formal Code of Conduct which is designed to ensure that:

— high standards of corporate and individual behaviour are observed by all Directors and employees in relation to all of IFN's activities; and

— employees are aware of their responsibilities to IFN under their contract of employment and always act in an ethical and professional manner and in the interests of IFN.

The Code of Conduct requires Directors and employees, among other things, to:

— avoid conflicts of interest between their personal interests and those of IFN and its securityholders;

— not take advantage of opportunities arising from their position for personal gain or in competition with IFN; and

— comply with the Securities Trading Policy and other policies.

The Code of Conduct requires Directors and employees to report any actual or potential breach of legal requirements, the Code of Conduct or other IFN policies. IFN promotes and encourages ethical behaviour and provides protection for those who report violations. A summary of the Code of Conduct is available on IFN's website.

In addition to the Code of Conduct, the Board Charters require that all Directors conduct their duties with the highest level of honesty and integrity, observe the rule and spirit of the law, comply with any relevant ethical and technical standards, not make improper use of any confidential information, and set a high standard of fairness, diligence and competency in their position as a Director.

IFN recognises that it has a number of legal and other obligations to non-securityholder stakeholders, including employees, financiers, suppliers and the broader community. The objectives of implementing the Code include ensuring that all stakeholders can be assured that IFN will conduct its affairs in accordance with ethical values and practices. The Code of Conduct specifically requires all employees to act in a manner that is lawful, diligent, fair and with honesty, integrity and respect.

In accordance with the Code of Conduct, IFN aims to provide a work environment in which all employees can excel regardless of race, religion, age, disability, gender, sexual preference or marital status. In this regard, IFN maintains various policies relating to workplace practices, including in relation to occupational health and safety matters. The principles of fairness, honesty and propriety are essential elements of the various policies which have been implemented by IFN.

Securities Trading Policy

The IFN Boards have adopted a formal Securities Trading Policy which regulates the manner in which Directors and employees can buy or sell IFN securities, and requires that they conduct their personal investment activities in a manner that is lawful and avoids conflicts between their own interests and those of IFN.

The policy specifies trading windows as the periods during which trading in IFN stapled securities can occur. Trading is prohibited despite a window being open if the relevant person is in possession of non-public price-sensitive information regarding IFN. The CEO and other key management personnel are required to pre-notify the Company Secretary (who in turn notifies the Chair) of any proposed trading by them in IFN, as well as the details of any subsequently completed trades.

A summary of IFN's Securities Trading Policy is available on IFN's website.

Diversity Policy

ASX Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

It is IFN's intention to adopt a diversity policy during the current financial year.

ASX Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Following adoption of a diversity policy, IFN will report as proposed by Recommendation 3.3 in subsequent annual reports.

ASX Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Following adoption of a diversity policy, IFN will report as proposed by Recommendation 3.4 in subsequent annual reports.

ASX Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

The information indicated in the Guide to reporting on Principle 3 has been included in this Corporate Governance Statement other than in relation to the new recommendations concerning formal adoption of a diversity policy and related reporting.

ASX PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Audit, Risk & Compliance Committee

ASX Recommendation 4.1: The board should establish an audit committee.

The IFN Boards have each established an Audit, Risk & Compliance Committee which are each responsible for advising their respective Board on internal controls and appropriate standards for the financial management of IFN.

In practice the Committees generally hold concurrent Committee meetings to consider relevant matters and meet joint responsibilities in accordance with the terms of the Stapling Deed. It is the responsibility of the IFN Boards to ensure that an effective internal control system is in place across IFN. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The IFN Boards have delegated the responsibility for overseeing the establishment and maintenance of IFN's system of internal control to the Audit, Risk & Compliance Committees.

Each Committee oversees the financial reporting process, the systems of internal control and risk management, the audit process and IFN's processes for monitoring compliance with laws and regulations.

The Audit, Risk & Compliance Committees undertake reviews on behalf of the IFN Boards regarding the status of the business risks to IFN through its risk management processes aimed at ensuring risks are identified, assessed and properly managed. The Committees also monitor compliance by IFN with its various licensing and other obligations, including specific obligations associated with managed investment schemes requirements.

Each Committee works on behalf of the IFN Boards with the external auditor and also reviews any non-audit services provided by the external auditor to confirm that they are consistent with maintaining external audit independence.

ASX Recommendation 4.2: The audit committee should be structured so that it:

- **consists only of non-executive directors;**
- **consists of a majority of independent directors;**
- **is chaired by an independent chair, who is not the chair of the board; and**
- **has at least three members.**

Each Audit, Risk & Compliance Committee comprised three Independent Directors throughout the 2010 financial year. Details of the skills, experience and expertise of each Director are set out in the Directors' Report. All Committee members possessed the requisite financial expertise and other skills necessary to undertake the responsibilities of the Committees. There were six formal Committee meetings held during the 2010 financial year and all Committee members attended each meeting.

Mr Clemson, an Independent Director who is not Chair of the IFN Boards, was Chair of each Audit, Risk & Compliance Committee throughout the year. The Chair of the IFN Boards is not a member of any Audit, Risk & Compliance Committee.

ASX Recommendation 4.3: The audit committee should have a formal charter.

The Audit, Risk & Compliance Committees have each adopted a Charter which details the responsibilities and operations of the Committees. The responsibilities of the Committees detailed within their Charters broadly include:

- review and consider the financial reports for the half year and full year;
- review the effectiveness of IFN's internal controls regarding all matters affecting IFN's financial performance and financial reporting, including information technology security and control;
- review the Charter, annual plans, audit reports and other activities of the internal audit function;
- review the external auditors' proposed audit scope and approach relating to the half year and full year financial reporting;
- meet with the external auditors to review reports, and meet separately, at least once a year, to discuss any matters that the Committees or auditors believe should be discussed privately;
- obtain regular reporting from the Compliance Manager and other senior managers regarding the effectiveness of the system for monitoring compliance with relevant regulatory and other obligations;
- oversee the development and implementation of a risk management framework, including its effectiveness in identifying, managing and monitoring the key risks of IFN; and
- provide an open avenue of communication between internal audit, the external auditors and the IFN Boards.

The Committees meet regularly and report to the full IFN Boards following each Committee meeting, including in respect of recommendations of the Committees that require IFN Board approval or action.

A summary of the Audit, Risk & Compliance Committee Charters is available in the Corporate Governance section on IFN's website.

Internal Audit

The IFN Boards have overall responsibility for IFN's systems of internal control, supported by the Audit, Risk & Compliance Committees and management. The IFN Boards are assisted by IFN's internal audit function to assess the system of internal control. The internal audit function operates under a written Charter approved by the Audit, Risk & Compliance Committees.

During the year, following a risk-based assessment, the internal audit program reviewed IFN's principal internal control procedures and systems, aiming to ensure that they were operating effectively and efficiently to assist IFN in achieving business objectives and meeting all reporting, licensing and other requirements. Following completion of each Internal Audit review, the internal audit manager presented the respective Internal Audit Report at the subsequent meeting of the Audit, Risk & Compliance Committee.

Audit Governance

IFN's external auditor is PricewaterhouseCoopers, appointed by securityholders at the 2006 Annual General Meeting in accordance with the provisions of the Corporations Act 2001. The IFN Boards have a policy whereby the responsibilities of each of the lead audit engagement partner and review audit partner cannot be performed by the same people for a period in excess of five consecutive years. The present PricewaterhouseCoopers lead audit engagement partner for the 2010 financial year was Andrew Wilson and the current audit review partner is Michael O'Donnell.

The external auditor is invited to regularly attend the Audit, Risk & Compliance Committee meetings. Periodically, the Committees meet with the external auditor without management being present, and the Committees also meet with management without the external auditor being present. Committee members are able to contact the external auditor directly at any time.

Certification and discussions with the external auditor on independence

The Audit, Risk & Compliance Committees require that the external auditor confirm each half year that they have maintained their independence and have complied with applicable independence standards established by regulators and professional bodies. The Audit, Risk & Compliance Committees annually review the independence of the external auditor and have confirmed this assessment with the IFN Boards. A copy of the external auditor's annual certification of independence is set out in the Annual Report.

Restrictions on non-audit services by the external auditor

To avoid possible independence or conflict issues, the external auditor is not permitted to carry out certain types of non-audit services for IFN, including:

- bookkeeping or other services relating to the accounting records or financial statements;
- appraisal or valuation services;
- secondments to management positions;
- internal audit of financial controls;
- internal control design or implementation;
- implementation or design of financial information systems or other information technology systems;
- legal or litigation support services; and
- strategic or structural tax planning.

For all other non-audit services, use of the external audit firm must be assessed in accordance with IFN's pre-approval policy, which requires that all non-audit services be pre-approved by the Audit, Risk & Compliance Committees, or by delegated authority to a sub-committee consisting of one or more members of the Committee, where appropriate.

The breakdown of the aggregate fees invoiced by the external auditor in respect of each of the two most recent financial years for audit and other services is provided in the Notes accompanying the Financial Statements in the Annual Report.

ASX Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

The information indicated in the Guide to reporting on Principle 4 has been included in this Corporate Governance Statement.

ASX PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Continuous Disclosure Policy

ASX Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

IFN is committed to complying with its continuous disclosure obligations pursuant to the Corporations Act and the ASX Listing Rules. IFN's Continuous Disclosure Policy is designed to ensure that all investors have equal and timely access to material information concerning IFN unless it falls within the scope of the exemptions contained in Listing Rule 3.1A.

The policy is also designed to ensure that material price sensitive information is notified to the ASX in a complete and balanced manner.

A Disclosure Committee comprised of the CEO and other senior managers operates pursuant to the Continuous Disclosure Policy. In addition, the IFN Boards are actively and regularly involved in discussing disclosure obligations and reviewing disclosure material in respect of significant IFN matters.

The Company Secretary is primarily responsible for communications with the ASX and for overseeing and maintaining the Continuous Disclosure Policy. The Policy sets out the respective responsibilities for reviewing information which is or may be material, making disclosures to the ASX and issuing media releases and other written public statements on behalf of IFN. As evidence of IFN's efforts to ensure the market is continually updated, IFN released approximately 80 announcements during the 2010 financial year.

IFN recognises the importance of the relationship between IFN, investors and analysts. From time to time IFN conducts analyst and investor briefings and in these situations the following protocols apply:

- no price sensitive information will be disclosed at these briefings unless it has been previously, or is simultaneously, released to the market;
- questions at these briefings that relate to price sensitive information not previously disclosed will not be answered other than through an appropriate ASX/market announcement; and
- if any price sensitive information is inadvertently disclosed, it will be immediately released to the ASX/market and placed on IFN's website.

A summary of the Continuous Disclosure Policy is available in the Corporate Governance section on IFN's website.

ASX Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

The information indicated in the Guide to reporting on Principle 5 has been included in this Corporate Governance Statement.

ASX PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Communications with Shareholders

ASX Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Consistent with the Continuous Disclosure Policy, IFN is committed to communicating with its securityholders in an effective and timely manner to provide them with ready access to information relating to IFN. In this regard, IFN's website (www.infigenenergy.com) provides access to the following information for securityholders and other potential investors:

- detailed information regarding the Board, executive management and the assets and activities of IFN;
- IFN announcements and media releases, which are posted to the website promptly following release;
- copies of half year and full year financial reports;

- summaries of Board and Committee Charters and relevant corporate governance policies;
- copies of IFN Annual Reports;
- copies of disclosure documents relating to any capital raisings; and
- a link to the website of IFN's security registry, Link Market Services Limited.

IFN encourages securityholders to utilise its website as their primary tool to access securityholder information and disclosures. In addition, the Annual Report facilitates the provision to securityholders of detailed information in respect of the major achievements, financial results and strategic direction of IFN.

IFN has a practice that information to be given by IFN at analyst briefings is first released to the ASX and market to ensure that the market operates on a fully informed and equal basis. Advance notice of significant group briefings and details regarding the various methods to access and participate in these briefings are circulated broadly.

Securityholders are strongly encouraged to attend and participate in general meetings of IFN, particularly the Annual General Meeting. IFN provides securityholders with details of any proposed meetings well in advance of the relevant dates.

IFN's external auditor always attends the Annual General Meeting and is available to answer securityholder questions regarding the conduct of the external audit and the preparation and content of the auditor's report. This allows securityholders an opportunity to ask questions of the auditor and reinforces the auditor's accountability to securityholders.

ASX Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

The information indicated in the Guide to reporting on Principle 6 has been included in this Corporate Governance Statement.

ASX PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

ASX Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Management of risk continues to be a primary concern of IFN in all its business activities. IFN is committed to ensuring that its system of risk oversight, management and internal control is consistent with its business strategy and sound commercial practice and that its culture, processes and structures facilitate realisation of IFN's business objectives, including potential opportunities, while managing the risks of adverse effects.

The IFN Boards are ultimately responsible for overseeing and managing the material risks of IFN. The Audit, Risk & Compliance Committees assist the Boards in this role. In accordance with their Charters, the role of the Audit, Risk & Compliance Committees includes reviewing the system for identifying, managing and monitoring the key risks of IFN and obtaining reports from the Risk Manager or other senior managers regarding the status of any key risk exposures or incidents. In undertaking these responsibilities, the Committees principally rely on the resources and expertise of management to implement and report upon the risk management systems and procedures implemented, such that the Committees are able to keep the IFN Boards informed of all material business risks. The Audit, Risk & Compliance Committees have also implemented a robust internal audit program.

IFN is implementing an Enterprise Risk Management framework and has adopted a Risk Management Policy consistent with Australia/New Zealand Standard 4360, which clearly defines responsibilities for managing risk under IFN's risk management process. The material risks of IFN's business, including operational, financial, market and regulatory compliance risks have been identified and are required to be actively managed and monitored, as well as reported regularly. All functional managers are required to prepare and maintain functional risk registers as a tool for monitoring and reporting business risks.

A summary of the Risk Management Policy is available on IFN's website.

ASX Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

IFN's Risk Management function plays a key role in developing and building an approach to assist IFN and its Boards in identifying, monitoring and managing risk and in reporting on material risks to the Audit, Risk & Compliance Committees. Under the supervision of the IFN Risk Manager, IFN has continued to develop its Risk Management framework and Risk Management Policy and procedures which articulate the standards and responsibilities for risk management across all levels of the IFN business. An integral part of the risk management framework is the on-going development and maintenance of the functional risk registers. The Risk Manager reviews the functional risk registers to prepare an IFN group 'top risks' register. This top risks register is regularly reviewed by the CEO and senior management, as well as regularly reported to the Audit, Risk & Compliance Committees.

IFN's Compliance function promotes a compliance conscious culture to ensure IFN complies with regulatory requirements across its businesses and functions.

To facilitate monitoring and evaluation of the effectiveness of internal controls, IFN has established accounting policies, reporting, risk management and compliance systems to ensure the Audit, Risk & Compliance Committees are informed of strategic, reputational, financial and operational risks facing the IFN group. Regular management certifications are undertaken to confirm that appropriate internal controls are in place and that the Risk Management Policy and other key guidelines and procedures are being observed.

IFN's internal audit function provides independent reporting to the Audit, Risk & Compliance Committees with respect to the management of risk and also provides comment on the effectiveness of the design and operation of controls across the IFN corporate group.

ASX Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The CEO and Chief Financial Officer have provided written assurance to the IFN Boards that internal compliance and control systems were operating efficiently and effectively in all material respects during the 2010 financial year.

ASX Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

The information indicated in the Guide to reporting on Principle 7 has been included in this Corporate Governance Statement.

ASX PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

The remuneration framework of IFN has been structured to be fair while being competitive to ensure that IFN can attract and retain the talent needed to achieve both short and long-term success, while maintaining a strong focus on team work, individual performance and the interests of securityholders.

IFN's remuneration framework aims to ensure remuneration is:

- commensurate with an individual's contribution, position and responsibilities;
- competitive with market standards;
- linked with IFN's strategic goals and performance; and
- aligned with the interests of securityholders.

The IFN remuneration framework consists of:

- a fixed component (base pay and benefits, including superannuation);
- a short-term performance related component or short-term incentive which for the executives and senior management level employees may include the mandatory deferral of a portion of their annual short-term incentive in the form of Restricted Securities under the Employee Deferred Security Plan. For the majority of employees, participation in the short-term incentive will be on the basis of meeting defined Key Performance Indicators which reflect the key financial, strategic and operational targets for each financial year; and
- a long-term incentive by way of participation in the Performance Rights & Options Plan (PR&O Plan) for nominated executives and senor managers. The IFN Boards believe that participation in the PR&O Plan is an appropriate 'at risk' equity based incentive given the responsibilities and commitment of the senior managers. The IFN Boards' believe that participation in the PR&O Plan provides alignment between the potential incentive and reward outcomes for participants, as well as providing an important retention tool and reinforces the goal of creating sustainable value in the interests of IFN securityholders.

Depending on the seniority of the employee, a combination of the above components is used to form an employee's total remuneration.

Further information regarding the policies and principles which are applied to determine the nature and amount of remuneration paid to the Directors and management of IFN are set out in detail in the Remuneration Report.

Remuneration Committee

ASX Recommendation 8.1: The Board should establish a remuneration committee.

To assist the IFN Boards in achieving fairness and transparency in relation to remuneration issues and overseeing the remuneration and human resource policies and practices of IFN, the IEL Board has established a Nomination & Remuneration Committee.

The Nomination & Remuneration Committee has adopted a Charter, a summary of which is available on IFN's website. Further information regarding the responsibilities of the Committee pursuant to its Charter in relation to remuneration matters is outlined in the response to ASX Recommendation 2.4.

As noted in relation to ASX Recommendation 2.4, consistent with the intent and philosophy that underpins the terms of the Stapling Deed agreed between IEL, IEBL and IERL, the IEL Nomination & Remuneration Committee provides advice and recommendations to the Boards of IEBL and IERL in relation to remuneration matters.

ASX Recommendation 8.2: The remuneration committee should be structured so that it:

- **consists of a majority of independent directors**
- **is chaired by an independent chair**
- **has at least three members.**

Throughout the 2010 financial year the Nomination & Remuneration Committee comprised four Independent Directors. The Committee held seven meetings during the year, and the attendance record of members of the Committee is disclosed in the Directors' Report.

Mr Battle, an Independent Director who is not Chair of the IFN Boards, was Chair of the IEL Nomination & Remuneration Committee throughout the year.

Non-Executive Director Remuneration

ASX Recommendation 8.3: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.

The total remuneration paid to the Non-Executive Directors for the 2010 financial year and other relevant remuneration structures for Non-Executive Directors, Executive Directors and senior executives are set out in detail in the Remuneration Report.

Non-Executive Directors are paid an annual Director fee (inclusive of superannuation) as well as additional fees for serving on Board Committees. Non-Executive Director fees for IEL and IEBL are determined within a Non-Executive Director aggregate fee pool which has been approved by securityholders. The maximum aggregate sum of Non-Executive Director fees for IEL and IEBL has been set at $500,000 per annum for each Board.

Non-Executive Directors are not provided with retirement benefits other than statutory superannuation and do not receive options or other equity incentives, or bonus payments.

ASX Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.

The information indicated in the Guide to reporting on Principle 8 has been included in this Corporate Governance Statement.

In respect of the year ended 30 June 2010, the Directors submit the following report for the Infigen Energy group (IFN).

DIRECTORS

The following persons 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), collectively 'IFN', during the whole of the financial year and up to the date of this report:

— Graham Kelly
— Anthony Battle
— Douglas Clemson
— Michael Hutchinson
— Miles George

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

Graham Kelly

Non-Executive Chairman

Appointed to IEL, IEBL and IERL on 20 October 2008
Appointed Chairman of IEL, IEBL and IERL on 26 November 2008

A member of the Nomination & Remuneration Committee

Graham Kelly is a professional non-executive director with over 30 years experience in academic life, government service, diplomatic service, private legal practice and business management.

Graham currently holds several directorships including serving as non-executive Chairman of Tishman Speyer Office Fund, Centrebet International Limited and Oasis Fund Management Limited, as well as a non-executive director of ING Funds Management Limited and ING Custodians Pty Limited. Graham is also a Governor of the Centenary Institute for Cancer Medicine and was until recently the Inspector of the Independent Commission Against Corruption (NSW).

He assisted successive Governments with the development and implementation of a wide range of policy initiatives, including the regulation of offshore petroleum and minerals, the enactment of national environmental legislation and the implementation of urban and regional development policies. Graham served as a Legal Attaché to the Australian Embassy in Washington DC representing Australia on several United Nations and OECD committees, particularly in the area of international trade and investment law and international competition policy.

Graham's diplomatic career was followed by 15 years of legal practice at Debevoise & Plimpton and Freehills. Graham served as Managing Partner of the Sydney/Brisbane/Canberra offices of Freehills from 1991–1995, and also as National Chairman of the firm from 1993–1995.

Anthony Battle

Non-Executive Director

Appointed to IEL and IERL on 9 September 2005
Appointed to IEBL on 14 September 2005

Chairman of the Nomination & Remuneration Committee
A member of the Audit, Risk & Compliance Committee

Anthony (Tony) Battle held executive management and director positions in the banking and finance industry for more than 30 years. Tony was responsible for negotiating, evaluating and closing large and complex transactions. These included asset based, project finance, corporate, merger and acquisition, infrastructure, privatisation and cross-border financings. The transactions were varied and across many business sectors including power generation and transmission, gas pipelines, toll roads, hospitals, property construction and investment, aircraft, shipping, mining, telecommunications and manufacturing. Tony was a member of various strategic planning, credit and management committees which included representatives of major domestic and international banking organisations.

For more than a decade prior to the above, Tony led a treasury department of a leading merchant bank.

Tony holds a Bachelor of Commerce degree, is a Fellow of the Australian Institute of Company Directors and an Associate of Chartered Secretaries Australia. Tony is based in Melbourne.

Douglas Clemson

Non-Executive Director

Appointed to IEL and IERL on 9 September 2005
Appointed to IEBL on 14 September 2005

Chairman of the Audit, Risk & Compliance Committee
A member of the Nomination & Remuneration Committee

Doug Clemson 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.

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.

Doug is a qualified accountant and a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors. Doug is based in Sydney.

Michael Hutchinson

Non-Executive Director

Appointed to IEL, IEBL and IERL on 18 June 2009
A member of the Audit, Risk & Compliance Committee

A member of the Nomination & Remuneration Committee

Mike Hutchinson is a qualified civil engineer, educated at the University of Newcastle upon Tyne, United Kingdom, and Harvard Business School. Mike was formerly an international transport engineering consultant with experience in the United Kingdom, France, Australia, Africa, South East Asia and the Pacific and a senior Australian Government official.

From 1980 to 1999 he was a senior official with the Australian Government, mainly working in the transport and communications sectors. Mike worked closely on reform of the Australian Government's state-owned enterprise sector from 1987 to 1996 and was acting Managing Director of the former OTC Ltd in 1989. He led the government's major privatisation program over the period 1996 to 1999, including Telstra, ANL Ltd, Australian National and most of Australia's airports, and he worked closely on the regulation of privatised infrastructure.

Since 2000, Mike has practised as a private consultant and company director. He has been a trustee of the Australian Government's superannuation schemes and a consultant to a global investment bank.

Mike is currently an independent non-executive director of the Australian Infrastructure Fund Ltd and EPIC Energy Holdings Ltd. Mike has previously been an independent non-executive director of Hastings Funds Management Ltd, Westpac Funds Management Ltd, Pacific Hydro Ltd, OTC Ltd, the Australian Postal Corporation and the Australian Graduate School of Management Ltd, as well as previously Chairman of HiTech Group Australia Ltd.

Mike is a Member of the Institution of Engineers Australia, Australian Institute of Company Directors, Institution of Civil Engineers and Institution of Highways & Transportation. Mike is based in Canberra.

Miles George

Managing Director

Appointed to IEL, IEBL and IERL on 1 January 2009

Miles George is the Managing Director of Infigen Energy, having previously been the Chief Executive Officer since 2007. Miles has over 20 years experience in the infrastructure and energy sectors, and in particular renewable energy development and investment.

Since 2000 Miles has been involved in development and investment in wind energy projects in Australia, including a key role in the development of Infigen's first wind farm at Lake Bonney in South Australia.

Miles jointly led the team which established the business now known as Infigen Energy in 2003. Subsequently he jointly led the team which structured and implemented the Initial Public Offer and listing of Infigen's business on the ASX in 2005.

Following listing Miles continued to work on the development and financing of Infigen's wind farm investments in Australia, the US and Europe. He was subsequently appointed as Chief Executive in 2007 and Managing Director in 2009.

Miles holds degrees of Bachelor of Engineering and Master of Business Administration (Distinction) from the University of Melbourne.

DIRECTORS' INTERESTS IN IFN STAPLED SECURITIES

One share in each of 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 (IFN stapled securities). The table below lists the Directors of IFN during the financial year as well as showing the relevant interests of Directors in IFN stapled securities during the financial year.

		IFN Stapled Securities Held			
Director	Role	Balance 1 July 2009	Acquired during the year	Sold during the year	Balance 30 June 2010
G Kelly	Independent Chairman	10,000	0	0	10,000
A Battle	Independent Non-Executive Director	42,634	0	0	42,634
D Clemson	Independent Non-Executive Director	140,000	0	0	140,000
M Hutchinson	Independent Non-Executive Director	0	0	0	0
M George	Executive Director	500,000	0	0	500,000

DIRECTORS' MEETINGS

The number of IFN Board meetings and meetings of standing Committees established by the IFN Boards held during the year ended 30 June 2010, and the number of meetings attended by each Director, are set out below.

	Board Meetings						Committee Meetings			
	IEL		IEBL		IERL		Audit, Risk & Compliance		IEL Nomination & Remuneration	
Director	A	B	A	B	A	B	A	B	A	B
G Kelly	15	16	15	16	13	13	n/a	n/a	6	7
A Battle	15	16	15	16	12	13	6	6	7	7
D Clemson	16	16	16	16	13	13	6	6	7	7
M Hutchinson	16	16	16	16	13	13	6	6	7	7
M George	16	16	16	16	13	13	n/a	n/a	n/a	n/a

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.

DIRECTORS' REPORT

COMPANY SECRETARIES

The names and particulars of the company secretaries of IFN at or since the end of the financial year are set out below.

David Richardson

Company Secretary

Appointed 26 October 2005

David joined Infigen Energy as Company Secretary in 2005 and is now responsible for the company secretarial, risk management, insurance, compliance and internal audit functions, as well as corporate governance across the group.

Prior to joining Infigen Energy, David was a Company Secretary within the AMP Group including AMP Capital Investors, Financial Services and Insurance divisions.

David holds a Diploma of Law, Bachelor of Economics and a Graduate Diploma in Company Secretarial Practice. David is a Member of Chartered Secretaries Australia.

Catherine Gunning

Alternate Company Secretary

Appointed 18 June 2009

Catherine is the General Counsel of Infigen Energy. Prior to joining Infigen in December 2005, Catherine was a Senior Associate in the Corporate & Commercial Department at Allens Arthur Robinson.

Catherine also worked in London for private equity house NatWest Equity Partners (now Bridgepoint Capital Limited).

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.

Catherine is currently on maternity leave.

CHANGES IN STATE OF AFFAIRS

In July 2009, IFN acquired interests in Australian and New Zealand wind energy project development assets. The Australian and New Zealand wind energy development assets were primarily 50 percent interests in development opportunities comprising more than 1000MW in six Australian states and in New Zealand, with a number of the projects located close to IFN's existing Australian wind farms.

In August 2009, IFN acquired a 20 percent Class B interests in the Caprock wind farm in the United States, taking IFN's Class B interests to 100 percent for that wind farm.

In March 2010, IFN acquired a company, subsequently renamed Infigen Energy Markets Pty Limited, which holds a licence to sell energy to retail customers and trade in energy markets.

In April 2010, IFN disposed of its portfolio of six wind farms in France for a total price of €71.3 million.

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

PRINCIPAL ACTIVITIES

Infigen Energy is Australia's leading specialist renewable energy business and is listed on the Australian Securities Exchange (ASX: IFN). IFN owns and operates wind energy businesses in Australia, the US and Germany, incorporating a total of 36 wind farms with a total capacity of 2,236MW.

IFN has six wind farms in Australia with a total capacity of 550MW and plans to significantly expand its renewable energy business through the delivery of projects from its Australian development pipeline.

IFN's US business comprises 18 wind farms with a total installed capacity of 1089MW and also includes the Bluarc asset management business.

IFN's presence in Germany comprises 12 wind farms with a total installed capacity of 128.7MW.

DISTRIBUTIONS

In respect of the half year period to 31 December 2009, no interim dividend was declared or paid.

In respect of the half year period to 30 June 2010, the Board has declared an FY10 final distribution of 2.0 cents per stapled security which will be paid on 16 September 2010.

IFN has confirmed that the FY10 final distribution of 2.0 cents per stapled security will be fully tax deferred. Further details regarding distributions paid by IFN are set out in Note 27 to the Financial Statements.

REVIEW OF OPERATIONS

During the year ended 30 June 2010, based on IFN's economic interest, IFN recorded revenues from continuing operations of $295.6 million compared to $303.8 million in FY09, representing a decrease of 2.7 percent.

IFN recorded a net loss for FY10 of $73.5 million compared to a net profit for FY09 of $192.9 million. The FY09 net profit result included a net profit on sale of the Spanish and Portuguese wind farm assets of $267.7 million.

A further review of the operations of IFN and the results of those operations for the year ended 30 June 2010 is included in the attached Financial Statements and accompanying Notes.

SUBSEQUENT EVENTS

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

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, IFN has complied with all significant environmental regulations applicable to its operations.

INDEMNIFICATION AND INSURANCE OF OFFICERS

IFN has agreed to indemnify all Directors and Officers against losses incurred in their role as Director, Alternate Director, Secretary, Executive or other employee of IFN 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 IFN will meet the full amount of any such liabilities costs and expenses (including legal fees). IFN has not been advised of any claims under any of the above indemnities.

During the financial year IFN paid insurance premiums for a Directors' and Officers' liability insurance contract, that provides cover for the current and former Directors, Alternate Directors, Secretaries and Executive Officers of IFN 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 IFN

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

FORMER PARTNERS OF THE AUDIT FIRM

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

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 8 to the Financial Statements.

AUDITOR'S INDEPENDENCE DECLARATION

IFN'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

Infigen Energy Remuneration Framework

Infigen Energy's remuneration framework aims to ensure remuneration is:

- commensurate with an individual's contribution, position and responsibilities;
- competitive with market standards;
- linked with IFN's strategic goals and performance; and
- aligned with the interests of securityholders.

Role of the IEL Nomination & Remuneration Committee

On behalf of the Infigen Energy group, the Board of Infigen Energy Limited (IEL) established a Nomination & Remuneration Committee to assist the IFN Boards. In addition to nomination and succession matters, the Committee is responsible for reviewing and monitoring the remuneration framework across the group, including specifically the performance and remuneration of Directors and management. As at period end and currently, the members of the Nomination & Remuneration Committee are A Battle (Committee Chairman), G Kelly, D Clemson and M Hutchinson – all independent non-executive directors.

In relation to the IFN remuneration framework, the Nomination & Remuneration Committee has focused on the following remuneration matters during the year:

- reviewed and endorsed the Human Resources Plan which aligns the organisational structure with the IFN strategic plan;
- undertaking senior management Key Performance Indicator reviews for FY10 and FY11, including establishing a framework for formal alignment of Key Performance Indicators to financial, strategic and operational goals of the business;
- development of a framework for the annual salary review with mechanisms to monitor internal and external relativities;
- establishment of a formal performance management program aligned to the annual salary review framework;
- determination of short and long-term incentive allocations for senior management;
- undertaking Board/Committee performance and Director fee reviews;
- review and endorsement of a graduate recruitment program through participation in the University of NSW Co-Operative Scholarship Program in photovoltaics and renewable energy engineering; and
- assessing legislative and other proposed regulatory changes to determine the effect on:
  - potential termination and retirement benefits payable to employees;
  - the Employee Deferred Security Plan; and
  - the Performance Rights & Options Plan.

The Nomination & Remuneration Committee received considerable advice during development of the long-term incentive plans from independent remuneration consultants, with both the Employee Deferred Security Plan and the Performance Rights & Options Plan being approved at a General Meeting of securityholders held on 29 April 2009. However, changes to employee share schemes first announced by the Federal Government in the May 2009 Federal Budget created uncertainty in relation to the future operation of these plans. Revised proposals subsequently announced by the Federal Government provided sufficient certainty for performance rights and options to be issued under the Performance Rights & Options Plan prior to 30 June 2009 (the FY09 Grant).

Legislation was introduced in December 2009 affecting the tax treatment of employee share scheme interests acquired after 1 July 2009. No securities have been awarded under the Employee Deferred Security Plan or the Performance Rights & Options Plan in FY10 whilst the company determined the effect of these legislative changes in relation to the IFN remuneration strategy.

DIRECTORS' REPORT

A. REMUNERATION OF NON-EXECUTIVE DIRECTORS

Fees to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Following receipt of advice from the Nomination & Remuneration Committee, the individual Non-Executive Director fees and committee membership fees are determined by the IFN Boards within the aggregate amount approved by securityholders. At the 2006 Annual General Meetings of Infigen Energy Limited (IEL) and Infigen Energy (Bermuda) Limited (IEBL), securityholders approved the current maximum aggregate amount which may be paid to all Non-Executive Directors as $500,000 per annum for IEL and $500,000 per annum for IEBL, which includes committee membership fees. The responsible entity of the Infigen Energy Trust, Infigen Energy RE Limited (IERL), is a subsidiary entity of the IFN group and no maximum aggregate amount of fees for Non-Executive Directors has been set.

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 (such as performance rights or options) or any retirement benefits. Non-Executive Director fees are reviewed annually.

Board/Committee Fees

Fees payable to Non-Executive Directors during the year ended 30 June 2010 are set out below.

Board/Committee	Role	Fee (pa)
IFN Boards	Chairman	$210,000
	Non-Executive Director	$125,000
IFN 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 2009 and 2010

Details of the nature and amount of each element of the emoluments of each current Non-Executive Director of IFN for the years ended 30 June 2009 and 2010 are set out in the table below.

Non-Executive Directors[1]	Year	Short-term benefits Fees $	Post-employment benefits Superannuation $	Total $
G Kelly	**FY10**	**201,539**	**14,461**	**216,000**
	FY09[2]	121,070	10,896	131,966
A Battle	**FY10**	**133,945**	**12,055**	**146,000**
	FY09	132,569	11,931	144,500
D Clemson	**FY10**	**136,697**	**12,303**	**149,000**
	FY09	130,275	11,725	142,000
M Hutchinson	**FY10**	**128,440**	**11,560**	**140,000**
	FY09[3]	4,214	379	4,593
Total Remuneration	**FY10**	**600,621**	**50,379**	**651,000**
	FY09	388,128	34,931	423,059

[1] Excludes Non-Executive Directors who resigned in FY09 (W Murphy resigned 29 April 2009; P Hofbauer and N Andersen resigned on 18 June 2009).
[2] Appointed as a Non-Executive Director of Infigen Energy Limited (IEL), Infigen Energy (Bermuda) Limited (IEBL) and Infigen Energy RE Limited (IERL) on 20 October 2008.
[3] Appointed as a Non-Executive Director of IEL, IEBL and IERL on 18 June 2009.

B. REMUNERATION OF EMPLOYEES

Following ongoing advice from remuneration consultants, the Nomination & Remuneration Committee developed and implemented a remuneration framework for the management team consisting of the following:

— a fixed component (base pay and benefits, including superannuation);

— a short-term performance related component or short-term incentive (STI) which for the executives and senior management level employees (Senior Managers) may include the mandatory deferral of a portion of their annual STI in the form of Restricted Securities under the Employee Deferred Security Plan. For the majority of employees, participation in the STI will be on the basis of meeting defined Key Performance Indicators (KPIs) which reflect the key financial, strategic and operational targets for each financial year; and

— a long-term incentive (LTI) by way of participation in the Performance Rights & Options Plan (PR&O Plan) for nominated Senior Managers. The Board believes that participation in the PR&O Plan is an appropriate 'at risk' equity based incentive given the responsibilities and commitment of the Senior Managers. In the Board's opinion, participation in the PR&O Plan provides alignment between the potential incentive and reward outcomes for participants, as well as providing an important retention tool and reinforces the goal of creating sustainable value in the interests of securityholders.

Depending on the seniority of the employee, a combination of the above components is used to form an employee's total remuneration. There are no guaranteed base salary increases included in any employment contracts.

Short Term Incentive Scheme

The current STI scheme promotes the achievement of annual business goals of IFN in conjunction with the achievement of personal goals as they relate to each employee's position. Each employee has a set of agreed KPIs that are linked to, and determine, their STI. The STI is an at-risk performance related component of remuneration and is subject to the achievement of the stretch financial, strategic and operational KPIs set. The Nomination & Remuneration Committee has set STI opportunities for senior management that reflect each particular manager's seniority and role. The maximum STI opportunity for senior management ranges between 30 and 64 percent of base salary. The Board determines the annual KPIs for the Managing Director/Chief Executive Officer which are then cascaded to the senior management team.

Employee Deferred Security Plan

The Employee Deferred Security Plan (EDS Plan) is designed to allow employees an opportunity to acquire stapled securities in IFN, and in doing so, further align the interests of employees with those of securityholders by providing a platform for the broader delivery of equity ownership to IFN employees.

The objectives of the EDS Plan are to:

— provide an incentive for the creation of, and focus on, securityholder wealth;

— further align the interests of employees with those of securityholders;

— ensure the remuneration packages of employees are consistent with market practice and provide competitive compensation;

— provide short to medium-term incentives for the retention of employees; and

— support the culture of employee stapled security ownership.

Under the EDS Plan, employees would have the ability to express a preference to receive IFN stapled securities instead of a portion of their potential future STI remuneration on a pre-tax basis in the form of restricted IFN stapled securities (Restricted Securities). In addition, IFN would be able to make awards of Restricted Securities to employees as a performance incentive or reward for exceptional performance, on terms and conditions as determined by the Board of IEL.

The Board of IEL is responsible for administering the EDS Plan in accordance with the EDS Plan Rules and the terms and conditions of specific grants of Restricted Securities to participants in the EDS Plan. An award of Restricted Securities under the EDS Plan is subject to both the EDS Plan Rules and the terms of the specific award. Restricted Securities allocated under the EDS Plan may be existing securities or newly issued securities. Any IFN stapled securities that are issued or transferred to employees under the EDS Plan will rank equally with those traded on the ASX at the time of issue. A participant is entitled to:

— receive distributions/dividends;

— participate in bonus and rights issues; and

— vote at general meetings of IFN,

in respect of the Restricted Securities that they hold under the EDS Plan (whether or not the Restricted Securities are subject to disposal restrictions or performance conditions).

Under the EDS Plan, the Board has the discretion to determine which employees will be offered the opportunity to participate in the EDS Plan. At the time of the General Meeting of securityholders which approved the EDS Plan in April 2009, the Board indicated an intention to offer voluntary participation in the EDS Plan to a wide range of employees who may express a preference to sacrifice part of their salary or cash based incentives. The Restricted Securities would be purchased on-market or issued and would be held by employees subject to a holding lock for 10 years. However, the Board, in its absolute discretion, may approve the removal of the holding lock, but not before the terms and conditions set out under the relevant award have been satisfied.

Securities awarded under the EDS Plan as part of a mandatory STI allocation may be purchased on market or issued and would be held by Senior Managers subject to a specified holding lock period. The holding lock would expire on the 10th anniversary from the date of allocation, however the Board, in its absolute discretion, may approve the removal of the holding lock, but not until one year has passed in relation to 50 percent of the Restricted Securities and two years have passed in relation to the remaining Restricted Securities.

Due to the changes to the tax treatment of employee share schemes legislated in December 2009, no Restricted Securities have been awarded to employees of IFN under the EDS Plan since the establishment of the plan and during the year. Based on advice received by the Board, a decision has been made to withhold both mandatory and voluntary participation in the EDS Plan until such time that the Tax treatment of this plan provides a greater alignment of employee and securityholder interests.

Performance Rights & Options Plan

The Performance Rights and Options Plan (PR&O Plan) is designed to deliver to nominated Senior Managers an appropriate long-term equity participation interest in IFN, and in doing so, align the longer term interests of Senior Managers with those of securityholders. Any performance rights and options awarded to Senior Managers under the PR&O Plan are 'at risk' and will only vest if the terms and conditions set out under the relevant award are satisfied.

The Board of IEL may in its absolute discretion determine which eligible employees will be offered the opportunity to participate in the PR&O Plan. The PR&O Plan will allow the grant of performance rights and options to participants, with the PR&O Plan Rules setting out the general terms of the PR&O Plan. A grant of performance rights or options under the PR&O Plan is subject to both the PR&O Plan Rules and the terms of the specific grant. Other features of the PR&O Plan are as follows:

— the Board of IEL may impose performance conditions on any grants under the PR&O Plan to reflect IFN's business plans, targets, budgets and its performance objectives. Further information is provided below in relation to performance conditions.

— performance rights and options will not attract dividends, distributions or voting rights until they vest (and in the case of options, are exercised) and stapled securities are allocated (whether or not the stapled securities are subject to non-disposal restrictions).

— upon the performance conditions being satisfied in respect of a performance right and/or option:

  – the performance right automatically vests and IEL must procure the issue or transfer of an IFN stapled security to the participant; and

  – the option vests but the participant must determine whether to 'exercise' the option. Upon the exercise of the option and payment of relevant exercise price by the participant, IEL must procure the issue or transfer of an IFN stapled security to the participant.

— the Board of IEL may, in its discretion, accelerate the vesting of all or part of any unvested performance rights or options, including in circumstances such as death, total and permanent disablement, a change of control, a compromise or arrangement under Part 5.1 of the Corporations Act, winding up or delisting.

— the PR&O Plan provides for the acquisition by issue or transfer of fully paid stapled securities by the plan entity appointed by IEL. Stapled securities may then be transferred from the plan entity to a participant upon the relevant performance conditions being satisfied. Any stapled securities issued under the PR&O Plan will rank equally with those traded on the ASX at the time of issue.

— in the event of any capital reorganisation of IFN (including any bonus issues and rights issues), the participant's options or performance rights will be adjusted, as set out in the PR&O Plan Rules and otherwise in accordance with the Listing Rules. In general, it is intended that the participant will not receive any advantage or disadvantage from such adjustment relative to IFN securityholders.

Due to the changes effecting the tax treatment of employee share schemes legislated in December 2009, no performance rights or options have been granted to employees of IFN under the PR&O Plan during the reporting period. However, as part of contractual negotiations, certain new senior full-time employees commencing in FY10 were advised that they would be entitled to receive share-based remuneration under the PR&O Plan. Due to the nature of the relevant positions, it was determined by the Nomination & Remuneration Committee that it was appropriate for these new senior employees to be included in the long-term incentive program. Proposed awards and conditions under the FY10 Grant had not been finalised as at the end of the period due to outstanding further advice at the time regarding the legislative changes introduced in December 2009.

PR&O Plan Arrangements for the FY09 Grant

In 2009, the Board determined that the most appropriate form of incentive arrangement for the FY09 period for the Senior Managers was a long-term incentive arrangement. Following the internalisation of management, the Board determined that on a 'one-off' basis for FY09 nominated Senior Managers would receive a long-term incentive award under the PR&O Plan that encompassed:

— the Senior Manager's short-term incentive opportunity for FY09;

— the Senior Manager's long-term incentive award for FY09; and

— the Senior Manager's long-term incentive award for FY10.

For Senior Managers participating in the 'one-off' PR&O opportunity, the Board accelerated participation in the PR&O Plan by bringing forward the FY10 PR&O allocation. That 'one-off' opportunity in FY09 enhanced the retention capacity of IFN's reward framework and the alignment of Senior Manager's reward outcomes with the interests of securityholders. Notwithstanding, for any benefit to vest the IFN performance thresholds as outlined below must be achieved.

For Senior Managers who received the FY09 Grant under the PR&O Plan (which incorporated the FY10 LTI award), the Board did not make any further awards under the PR&O Plan to those Senior Managers in respect of FY10.

Performance Conditions of Awards Granted Under the PR&O Plan for the FY09 Grant

1. Participants received 50 percent of their award in the form of performance rights and 50 percent in the form of options. Performance rights and options were awarded to participants in two tranches of equal value (**Tranche 1** and **Tranche 2**).

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	Options
Tranche 1	TSR condition	TSR condition
Tranche 2	Operational Performance condition	Operational Performance condition

3. The Tranche 1 TSR condition is measured over a 3 year period from 1 January 2009 to 31 December 2011.

4. The Tranche 2 Operational Performance condition is measured over a 3 year period from 1 July 2008 to 30 June 2011.

5. **TSR condition** (applicable to Tranche 1 performance rights 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 IFN will be compared to companies in the S&P/ASX 200 (excluding financial services and the materials/resources sector). The performance period commences on 1 January 2009 and ends on 31 December 2011. 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 IFN will be averaged over the 30 trading days preceding the start and end date of the performance period.

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

IFN'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%

6. **Operational Performance condition** (applicable to Tranche 2 performance rights and Tranche 2 options): the vesting of the Tranche 2 performance rights and Tranche 2 options is subject to an Operational Performance condition. In the context of the market volatility and the changing circumstances of IFN moving to an operational business, this Operational Performance condition is to be established annually by the Board. At the completion of the 3 year performance period, the Operational Performance conditions which have been set will provide a cumulative hurdle which must be achieved in order for the Operational Performance condition to be satisfied.

   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 IFN's economic interest in all investments.

   For the awards granted in the FY09 Grant under the PR&O Plan, the annual targets for FY09 and FY10 were set to reflect the performance expectations of IFN's business and prevailing market conditions at the respective times. The annual Operational Performance target for each subsequent financial year will be established by the Board no later than the time of the release of IFN's annual financial results for the preceding financial year.

   The annual Operational Performance targets are confidential to IFN, however each year's target, and the performance against that target, will be disclosed in IFN's Annual Report for that year.

7. Any performance rights or options that do not vest following the measurement of performance against the TSR and Operational Performance conditions described above will be subject to a single retest 4 years after the commencement of the relevant performance period (ie. 31 December 2012 in regards to the Tranche 1 TSR performance condition and 30 June 2012 in regards to the Tranche 2 Operational Performance condition). Any performance rights or options that do not vest in year 4 will then lapse.

8. The Board of IEL will accelerate the vesting of any performance rights or options awarded in the FY09 Grant in the event of a change in control of IFN as approved by securityholders at the General Meetings held on 29 April 2009.

PR&O Plan Arrangements for the FY10 Grant

During the reporting period, as part of contractual negotiations, certain new senior full-time employees were advised that they would be entitled to receive share-based remuneration under the PR&O Plan (FY10 Grant). Due to the nature of the relevant positions, it was determined by the Nomination & Remuneration Committee that it was appropriate for these new senior employees to be included in the long-term incentive program. Proposed awards and conditions under the FY10 Grant had not been finalised as at the end of the period due to outstanding further advice at the time regarding the legislative changes introduced in December 2009.

Remuneration Policy and the Performance of Infigen Energy

Following the internalisaton of management on 31 December 2008, a greater alignment between the interests of management and securityholders has occurred by a transformed Infigen Energy remuneration framework involving greater 'at risk' components of remuneration, such as:

- short-term incentive arrangements: the inclusion of annual 'hurdle' Key Performance Indicators for all employees whereby a material proportion of potential STI reward is subject to the achievement by the IFN group of set financial hurdles; and
- long-term incentive arrangements: the establishment of the Employee Deferred Security Plan and the Performance Rights & Options Plan, including the subsequent granting of awards to Senior Managers under the PR&O Plan (FY09 Grant) whereby vesting of all awards is subject to achievement of Total Shareholder Return and Operational Performance conditions over a multi-year period.

With a greater 'at risk' component of remuneration, a greater alignment of the interests of management and securityholders has been achieved, resulting in an enhanced link between the remuneration framework and the performance of Infigen Energy. If relevant hurdles and conditions are not achieved by the IFN group, then a direct proportion of remuneration is forgone by employees. Furthermore, with the vesting of awards under share-based remuneration plans subject to multi-year conditions, this retention element of the plans further aligns the longer-term interests of senior management and securityholders.

Relevant metrics for the financial year periods since listing on the ASX on 28 October 2005 are included in the table below.

	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010
Closing security price	$1.51	$1.95	$1.645	$1.15	$0.715
Revenue[1] (m)	$85.6	$171.9	$254.3	$303.8	$295.6
EBITDA from operations[1] (m)	$64.6	$126.5	$193.0	$215.2	$195.5
Distributions (cents per security)	10.2	12.5	14.5	9.0	2.0
Net assets per security	$1.16	$1.10	$1.30	$1.14	$0.95
Total securities on issue	575,301,766	673,070,882	868,600,694	808,176,924[2]	760,374,428[2]

[1] 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 and a further deleveraging of the business.

[2] The reduction in securities on issue during FY09 and FY10 is a result of the on-market security buy-back programs.

IFN FY10 Security Buy-back Programs

From 1 July 2009 to 16 July 2009, a total of 5,716,339 IFN securities were acquired as part of the on market security buy-back program which had been approved by IFN securityholders at the Annual General Meeting held on 26 November 2008.

On 12 May 2010, the IFN Boards agreed to implement a further on-market security buy-back program. The Boards believed the security price at the time did not reflect the underlying quality or value of Infigen Energy's global wind energy portfolio. IFN securities were acquired under this buy-back program from 20 May 2010 to 30 June 2010, with a total of 42,086,157 securities acquired at an average price of approximately 84.7 cents per security.

Infigen Energy – Executives

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

M George	Chief Executive Officer
G Dutaillis	Chief Operating Officer
G Dover	Chief Financial Officer
S Taylor	General Manager, Generation Australia
A George	General Manager, Energy Markets Australia
D Richardson	Company Secretary
C Gunning	General Counsel

DIRECTORS' REPORT

TABLE 1: Remuneration of Executives for the years ended 30 June 2008 and 2009

Details of the nature and amount of each element of the emoluments of each Executive for the years ended 30 June 2009 and 2010 are set out in the table below.

		Short-term employee benefits					Post-employment benefits	Other long-term employee benefits	Share-based payments[1, 2]		
		Salary	STI paid in current period[3]	Retention Payment[4]	Non-monetary benefits	Total of short-term employee benefits	Superannuation	Long Service Leave	Equity settled	Cash settled	Total
Executive	**Year**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
M George	**FY10**	**550,000**	**–**	**220,000**	**–**	**770,000**	**14,461**	**9,178**	**647,215**	**–**	**1,440,854**
	FY09	662,499	512,077	–	–	1,174,576	13,744	10,432	(158,755)	(42,576)	997,421
G Dutaillis	**FY10**	**370,000**	**–**	**160,000**	**–**	**530,000**	**14,461**	**6,174**	**336,552**	**–**	**887,187**
	FY09	407,500	270,096	–	–	677,596	13,744	6,591	(19,471)	(8,777)	669,683
G Dover	**FY10**	**370,000**	**–**	**160,000**	**–**	**530,000**	**14,461**	**6,174**	**336,552**	**–**	**887,187**
	FY09	407,500	270,096	–	–	677,596	13,744	6,591	107,176	(8,777)	796,330
S Taylor	**FY10**	**375,000**	**75,000**	**–**	**–**	**450,000**	**14,461**	**6,257**	**9,038[7]**	**–**	**479,757**
	FY09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
A George[5]	**FY10**	**173,654**	**–**	**–**	**–**	**173,654**	**7,231**	**2,898**	**26,702[7]**	**–**	**210,484**
	FY09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
D Richardson	**FY10**	**250,000**	**–**	**52,500**	**–**	**302,500**	**14,461**	**4,172**	**95,917**	**–**	**417,050**
	FY09	228,000	131,000	–	–	359,000	13,744	3,832	21,730	–	398,306
C Gunning[6]	**FY10**	**176,000**	**–**	**–**	**–**	**176,000**	**10,845**	**1,468**	**100,965**	**–**	**289,278**
	FY09	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total Remuneration	**FY10**	**2,264,654**	**75,000**	**592,500**	**–**	**2,932,154**	**90,382**	**36,321**	**1,552,941**	**–**	**4,611,797**
	FY09	1,705,499	1,183,269	–	–	2,888,768	54,976	27,446	(49,320)	(60,130)	2,861,740

[1] For the period 1 January 2009 to 30 June 2009 and FY10, share-based payments includes performance rights and options relating to IFN stapled securities.

[2] Options, bonus deferral rights and share awards that were held by the Executives relating to Babcock & Brown ordinary shares prior to the termination of the Management Agreements with Babcock & Brown were forfeited or expired on 31 December 2008. In some instances, this has resulted in a net negative value for share based payments presented in the table in FY09 due to the expense that was previously recognised in relation to these options, bonus deferral rights and share awards being reversed.

[3] Short Term Incentives for FY09 refers to the STI paid in relation to prior employment with the Babcock & Brown group. STI for FY10 paid to S Taylor relates to the transition from a fixed term contract as General Manager, IFN United States, to full-time employment as General Manager, Generation Australia.

[4] Retention payments were made in accordance with the separation agreement with the Babcock & Brown group – there are no further retention payment obligations.

[5] A George commenced employment with IFN on 4 January 2010.

[6] C Gunning commenced maternity leave on 4 January 2010.

[7] These are approximate accounting valuations of equity settled remuneration based on contractual obligations made in FY10 to S Taylor and A George. Performance rights have not yet been granted.

TABLE 2: Remuneration Components as a Proportion of Total Remuneration

The relative proportion of fixed remuneration to performance-based remuneration for FY10 is set out below.

		Performance-based remuneration			
Executive	Fixed remuneration[1] (%)	Cash STI (%)	Retention[2] (%)	Share-based payments[3] (%)	Total (%)
M George	40	0	15	45	100
G Dutaillis	44	0	18	38	100
G Dover	44	0	18	38	100
S Taylor	82	16[4]	0	2	100
A George	87	0	0	13	100
D Richardson	64	0	13	23	100
C Gunning	65	0	0	35	100

[1] Fixed Remuneration consists of salary, non-monetary benefits, superannuation and long service leave.
[2] Retention payments were made in accordance with the separation agreement with the Babcock & Brown group – there are no further retention payment obligations.
[3] Share-based payments refer to the value of performance rights and options relating to IFN securities.
[4] Cash STI paid to S Taylor in FY10 relates to the transition from a fixed term contract as General Manager, IFN United States, to full-time employment as General Manager, Generation Australia.

Infigen Energy's current remuneration strategy is to provide a balanced compensation mix by rewarding superior performance in achieving strategic, financial and operational performance objectives as well as aligning the longer term interests of management with those of securityholders.

IFN Performance Rights and Options

Performance rights and options over IFN stapled securities were granted to Executives in FY09 under the Performance Rights & Options Plan (FY09 Grant).

During the reporting period, as part of contractual negotiations, certain new senior full-time employees were advised that they would be entitled to receive share-based remuneration under the PR&O Plan (FY10 Grant). However, proposed awards and conditions under the FY10 Grant had not been finalised as at the end of the period due to outstanding further advice at the time regarding the legislative changes introduced in December 2009.

No performance rights or options in relation to IFN securities vested or became exercisable in FY10. No IFN securities were acquired by Executives upon the exercise of options during FY10.

TABLE 3: Value of Remuneration that Vests in Future Years

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

	Maximum value of remuneration which is subject to vesting		
Executive	FY10 ($)	FY11 ($)	FY12 ($)
M George	647,215	647,215	138,797
G Dutaillis	336,552	336,552	72,174
G Dover	336,552	336,552	72,174
S Taylor[1]	9,038	18,328	18,378
A George[1]	26,702	55,064	55,215
D Richardson	95,917	95,917	20,570
C Gunning	100,965	100,965	21,652

[1] These are approximate accounting valuations of equity settled remuneration based on contractual obligations made in FY10 to S Taylor and A George. Performance rights have not yet been granted.

Outstanding Performance Rights

Performance rights relating to IFN securities awarded to participants in the Performance Rights & Options Plan for the FY09 Grant were granted in two tranches and have a 3 year performance measurement period. Vesting of Tranche 1 is subject to a Total Shareholder Return (TSR) condition and Tranche 2 is subject to an Operating Performance condition. Upon relevant performance conditions being met, the performance rights granted automatically vest and the holder will receive one fully paid ordinary IFN stapled security per performance right vested. The performance rights do not attract dividends, distributions or voting rights until they vest and stapled securities are allocated. No exercise price is payable in relation to the performance rights and no amounts have been paid or are payable by the recipient for the granting of these performance rights. No performance rights vested or were exercised during the year and all performance rights held as at 30 June 2010 are unvested and unexercisable. Two employees that participated in the FY09 Grant are no longer employed by IFN and their entitlements in relation to performance rights under the FY09 Grant have lapsed.

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 (ie. 31 December 2012 in regards to the Tranche 1 and 30 June 2012 in regards to the Tranche 2). Any performance rights which do not vest after each single retest period will then lapse.

TABLE 4: Terms and Conditions of Outstanding Performance Rights

The table below provides the terms and conditions of outstanding performance rights relating to IFN securities which have been granted to Executives (FY09 Grant). The performance rights are valued as at the deemed grant date.

Executive[1]	Granted number	Grant date	Value per performance right ($)	Total value of performance rights granted ($)	Estimated vesting date[2] Tranche 1	Tranche 2
M George	1,112,925	27/3/09	0.626	696,844	31/12/11	30/6/11
G Dutaillis	578,721	27/3/09	0.626	362,359	31/12/11	30/6/11
G Dover	578,721	27/3/09	0.626	362,359	31/12/11	30/6/11
D Richardson	164,935	27/3/09	0.626	103,272	31/12/11	30/6/11
C Gunning	173,616	27/3/09	0.626	108,708	31/12/11	30/6/11

[1] In accordance with contractual obligations, a proportion of remuneration for S Taylor and A George in FY10 relates to share based payments, however the details and conditions of the potential performance rights to be granted are not sufficiently finalised to be included in the above table.
[2] Any performance rights which do not vest after the 3 year performance measurement period are subject to a single retest period for a further year respectively.

Outstanding Options

Options relating to IFN securities awarded to participants in the Performance Rights & Options Plan for the FY09 Grant were granted in two tranches and have a 3 year performance measurement period. Vesting of Tranche 1 is subject to a TSR condition and Tranche 2 is subject to an Operating Performance condition. Upon vesting, each option entitles the holder to subscribe for one fully paid ordinary IFN stapled security upon payment of the relevant exercise price per security. The options do not attract dividends, distributions or voting rights until they vest and stapled securities are allocated. These options were issued at no cost and no amounts have been paid, or are payable, by the recipient for the granting of these options. No options relating to IFN securities vested or were exercised during the year and all options held at 30 June 2010 are unvested and unexercisable. Two employees that participated in the FY09 Grant are no longer employed by IFN and their entitlements in relation to options under the FY09 Grant have lapsed.

Any options 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 (ie. 31 December 2012 in regards to the Tranche 1 and 30 June 2012 in regards to the Tranche 2). Any options which do not vest after that single retest period will then lapse.

TABLE 5: Terms and Conditions of Outstanding Options

The table below provides the terms and conditions of outstanding options relating to IFN securities which have been granted to Executives. The options are valued as at the deemed grant date.

						Estimated vesting date[2]		
Executive[1]	Granted number	Grant date	Value per option ($)	Total value of options granted ($)	Exercise price per option ($)	Tranche 1	Tranche 2	Expiry date of vested options
M George	5,053,908	27/3/09	0.209	1,057,331	0.897	31/12/11	30/6/11	31/12/13
G Dutaillis	2,628,032	27/3/09	0.209	549,812	0.897	31/12/11	30/6/11	31/12/13
G Dover	2,628,032	27/3/09	0.209	549,812	0.897	31/12/11	30/6/11	31/12/13
D Richardson	748,989	27/3/09	0.209	156,696	0.897	31/12/11	30/6/11	31/12/13
C Gunning	788,410	27/3/09	0.209	164,944	0.897	31/12/11	30/6/11	31/12/13

[1] The proportion of remuneration for S Taylor and A George in FY10 relating to share-based payments will not include a grant of options.
[2] Any options which do not vest after the 3 year performance measurement period are subject to a single retest period for a further year respectively.

Executive Employment Contracts

The base salaries for Executives as at 30 June 2010, in accordance with their employment contract, are as follows:

M George	$550,000
G Dutaillis	$370,000
G Dover	$370,000
S Taylor	$300,000
A George	$350,000
D Richardson	$250,000
C Gunning	$260,000

Employment contracts relating to the Executives contain the following conditions:

Duration of contract	— Open-ended
Notice period to terminate the contract	— For M George, G Dutaillis, G Dover and S Taylor, their employment is able to be terminated by either party on 6 months' written notice. For A George, D Richardson and C Gunning, their employment is able to be terminated by either party on 3 months' written notice. IFN may elect to pay an amount in lieu of completing the notice period, calculated on the base salary as at the termination date.
Termination payments provided under the contract	— 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.

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 2010

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Infigen Energy Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A J Wilson
Partner
PricewaterhouseCoopers

Sydney
30 August 2010

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $'000	2009 $'000 (Restated)[1]
Revenue from continuing operations	2	314,342	324,934
Income from institutional equity partnerships	3	63,579	86,818
Other income	3	21,380	49,612
Operating expenses		(104,764)	(94,555)
Corporate costs		(21,808)	(21,764)
Other expenses	4	(12,099)	–
Depreciation and amortisation expense	4	(146,658)	(153,239)
Interest expense		(93,864)	(107,295)
Finance costs relating to institutional equity partnerships	4	(54,347)	(104,587)
Other finance costs	4	(8,231)	(24,955)
Significant non-recurring items	4	(9,658)	(62,354)
Share of net losses of associates accounted for using the equity method		(85)	–
Net profit / (loss) before income tax expense		**(52,213)**	**(107,385)**
Income tax (expense) / benefit	6	(12,321)	35,978
(Loss) / profit from continuing operations		(64,534)	(71,407)
Profit/ (loss) from discontinued operations	5	(8,969)	264,347
Net profit / (loss) for the year		**(73,503)**	**192,940**
Other comprehensive income – movements through equity			
Changes in the fair value of cash flow hedges, net of tax	24	(35,476)	(150,671)
Exchange differences on translation of foreign operations and movement in fair value of net investment hedges	24	(12,762)	68,724
Total comprehensive income / (loss) for the period, net of tax		**(121,741)**	**110,993**
Net profit / (loss) for the period is attributable to stapled security holders as:			
Equity holders of the parent		(70,378)	191,653
Equity holders of the other stapled entities (non-controlling interests)		(3,385)	(2,159)
		(73,763)	**189,494**
Other non-controlling interests		260	3,446
		(73,503)	**192,940**
Total comprehensive income / (loss) is attributable to stapled security holders as:			
Equity holders of the parent		(118,616)	109,706
Equity holders of the other stapled entities (non-controlling interests)		(3,385)	(2,159)
		(122,001)	**107,547**
Other non-controlling interests		260	3,446
		(121,741)	**110,993**
Earnings per share of the parent based on earnings from continuing operations attributable to the equity holders of the parent:			
Basic (cents per share)	26	(7.7)	(8.5)
Diluted (cents per share)	26	(7.7)	(8.5)
Earnings per share of the parent based on earnings attributable to the equity holders of the parent:			
Basic (cents per share)	26	(8.8)	22.6
Diluted (cents per share)	26	(8.8)	22.4

[1] 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 2010

	Note	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	37	229,950	409,334
Trade and other receivables	9	45,155	48,412
Inventory	10	3,204	4,801
Prepayments	11	16,376	14,509
Other current assets	12	75	1,385
Derivative financial instruments	13	–	5,105
Total current assets		**294,760**	**483,546**
Non-current assets			
Receivables	9	1,171	–
Prepayments	11	12,495	6,803
Derivative financial instruments	13	–	3,717
Investment in associates	14	3,543	–
Property, plant and equipment	15	3,110,894	3,396,213
Deferred tax assets	6	97,327	88,342
Goodwill	16	26,457	27,455
Intangible assets	17	366,581	401,705
Total non-current assets		**3,618,468**	**3,924,235**
Total assets		**3,913,228**	**4,407,781**
Current liabilities			
Trade and other payables	18	74,216	83,910
Borrowings	19	88,355	80,703
Derivative financial instruments	20	59,573	59,331
Current tax payables	6	2,394	2,043
Provisions	21	2,627	2,885
Total current liabilities		**227,165**	**228,872**
Non-current liabilities			
Payables	18	485	246
Borrowings	19	1,334,285	1,567,636
Derivative financial instruments	20	98,284	73,584
Provisions	21	239	193
Deferred tax liabilities	6	63,805	50,012
Total non-current liabilities		**1,497,098**	**1,691,671**
Institutional equity partnerships classified as liabilities	22	1,469,280	1,567,062
Total liabilities		**3,193,543**	**3,487,605**
Net assets		**719,685**	**920,176**
Equity holders of the parent			
Contributed equity	23	2,305	4,496
Reserves	24	(189,185)	(128,264)
Retained earnings	25	120,209	190,587
		(66,671)	**66,819**
Equity holders of the other stapled entities (non-controlling interests)			
Contributed equity	23	781,240	857,617
Reserves	24	–	(20,564)
Retained earnings	25	5,116	8,501
		786,356	**845,554**
Other non-controlling interests		**–**	**7,803**
Total equity		**719,685**	**920,176**

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 2010

	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Other non-controlling interests $'000	Total equity $'000
Total equity at 1 July 2008		**1,014,410**	**(63,922)**	**9,594**	**960,082**	**166,343**	**1,126,425**
Net profit for the period		–	–	189,494	189,494	3,446	192,940
Changes in the fair value of cash flow hedges, net of tax	24	–	(150,671)	–	(150,671)	–	(150,671)
Exchange differences on translation of foreign operations and movement in fair value of net investment hedges	24	–	68,724	–	68,724	–	68,724
Total comprehensive income for the period		**–**	**(81,947)**	**189,494**	**107,547**	**3,446**	**110,993**
Transactions with equity holders in their capacity as equity holders:							
Contributions of equity, net of transaction costs	23	9,745	–	–	9,745	–	9,745
Purchase of securities – on market buyback	23	(60,898)	–	–	(60,898)	–	(60,898)
Disposal of non-controlling interests on sale of subsidiary	–	–	–	–	–	(161,986)	(161,986)
Acquisition of non-controlling interests of subsidiaries	24	–	(4,030)	–	(4,030)	–	(4,030)
Recognition of share-based payments	24	–	1,071	–	1,071	–	1,071
Distributions paid	27	(101,144)	–	–	(101,144)	–	(101,144)
Total equity at 30 June 2009		**862,113**	**(148,828)**	**199,088**	**912,373**	**7,803**	**920,176**
Net loss for the period		–	–	(73,763)	(73,763)	260	(73,503)
Changes in the fair value of cash flow hedges, net of tax	24	–	(35,476)	–	(35,476)	–	(35,476)
Exchange differences on translation of foreign operations and movement in fair value of net investment hedges	24	–	(12,762)	–	(12,762)	–	(12,762)
Total comprehensive income for the period		**–**	**(48,238)**	**(73,763)**	**(122,001)**	**260**	**(121,741)**
Transactions with equity holders in their capacity as equity holders:							
Purchase of securities – on market buyback	23	(41,933)	–	–	(41,933)	–	(41,933)
Acquisition of non-controlling interests of subsidiaries	24	–	5,797	–	5,797	(8,063)	(2,266)
Recognition of share-based payments	24	–	2,084	–	2,084	–	2,084
Distributions paid	27	(36,635)	–	–	(36,635)	–	(36,635)
Total equity at 30 June 2010		**783,545**	**(189,185)**	**125,325**	**719,685**	**–**	**719,685**

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 2010

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Profit/ (loss) for the period		(73,503)	192,940
Adjustments for:			
Distributions paid to non-controlling interests		(14,714)	(24,388)
Interests in institutional equity partnerships		(9,232)	17,770
(Gain)/loss on revaluation for fair value through profit or loss financial assets – financial instruments		1,207	21,960
(Gain)/loss on sale of investments		13,568	(256,677)
Depreciation and amortisation of non-current assets		150,561	200,833
Foreign exchange (gain)/loss		(193)	(24,430)
Amortisation of share-based expense		2,084	1,071
Amortisation of borrowing costs capitalised		5,611	7,265
Increase/(decrease) in current tax liability		346	(4,303)
(Increase)/decrease in deferred tax balances		3,957	(10,988)
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		3,714	17,334
Other financial assets classified as operating activities		13,927	–
Increase/(decrease) in liabilities:			
Current payables		823	30,200
Non-current payables		(1,277)	–
Net cash provided by / (used in) operating activities		**96,879**	**168,587**
Cash flows from investing activities			
Proceeds on sale of controlled entities		93,916	1,768,179
Proceeds on sale of investment		450	–
Payment for property, plant and equipment		(122,621)	(474,561)
Payment for intangible assets		(15,641)	(20,276)
Payment for investments in controlled and jointly controlled entities	37(b)	(5,170)	(28,656)
Payment for investments in associates		(4,560)	–
Refund of investment prepayment		–	2,684
Loans advanced		–	(84,240)
Loans to related parties (associates)		(1,499)	1
Net cash provided by/ (used in) investing activities		**(55,125)**	**1,163,131**
Cash flows from financing activities			
Payment for securities buy-back		(42,696)	(60,889)
Proceeds from borrowings		20,525	407,617
Repayment of borrowings		(153,606)	(1,442,105)
Loans from related parties		–	13,440
Distributions paid to security holders	27	(36,635)	(91,399)
Net cash provided by/ (used in) financing activities		**(212,412)**	**(1,173,336)**
Net increase/(decrease) in cash and cash equivalents		**(170,658)**	**158,382**
Cash and cash equivalents at the beginning of the financial year		**409,334**	**208,505**
Effects of exchange rate changes on the balance of cash held in foreign currencies		(8,726)	42,447
Cash and cash equivalents at the end of the financial year	37(a)	**229,950**	**409,334**

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

1. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the group consisting of Infigen Energy Limited and its subsidiaries.

Summarised financial information relating to the parent entity, IEL, is presented in note 40.

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.

The separate financial statements for IEL as an individual entity present a net liability position. IEL is one component of a stapled entity that is in a net asset position.

(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

Discontinued Operations

The group disposed of its assets in France in April 2010. In the prior year, the group disposed of its assets in Portugal in November 2008 and of its assets in Spain in January 2009. As a consequence of these disposals, for the year ended 30 June 2010, France is classified as a discontinued operation. For the year ended 30 June 2009, France, Spain and Portugal are classified as discontinued operations.

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 France.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

Effect of Restatements: Income statement for the year ended 30 June 2009

	30 June 2009 $'000	Discontinued Operations $'000	30 June 2009 $'000 (Restated)
Revenue from continuing operations	336,959	(12,025)	324,934
Income from institutional equity partnerships	86,818	–	86,818
Other income	49,652	(40)	49,612
Operating expenses	(96,123)	1,568	(94,555)
Corporate costs	(21,764)	–	(21,764)
Depreciation and amortisation expense	(157,973)	4,734	(153,239)
Interest expense	(107,295)	–	(107,295)
Finance costs relating to institutional equity partnerships	(104,587)	–	(104,587)
Other finance costs	(25,212)	257	(24,955)
Significant non-recurring items	(62,354)	–	(62,354)
Net profit / (loss) before income tax expense	**(101,879)**	**(5,506)**	**(107,385)**
Income tax benefit / (expense)	35,767	211	35,978
Profit / (loss) from continuing operations	(66,112)	(5,295)	(71,407)
Profit / (loss) from discontinued operations	259,052	5,295	264,347
Net profit / (loss) for the period	**192,940**	**–**	**192,940**
Attributable to stapled security holders as:			
Equity holders of the parent	191,653	–	191,653
Equity holders of the other stapled entities (non-controlling interests)	(2,159)	–	(2,159)
	189,494	**–**	**189,494**
Non-controlling interest	3,446	–	3,446
	192,940	**–**	**192,940**
Earnings per share of the parent based on earnings from continuing operations attributable to the equity holders of the parent:			
Basic (cents per security)	(7.9)	(0.7)	(8.6)
Diluted (cents per security)	(7.9)	(0.7)	(8.6)
Income tax benefit / (expense) is attributable to:			
Income tax (expense) / benefit from continuing operations	35,767	211	35,978
Income tax (expense) / benefit from discontinued operations	(15,841)	(211)	(16,052)
Income tax (expense) / benefit	**19,926**	**–**	**19,926**

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(b) Consolidated accounts

UIG 1013: *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* requires 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 2010.

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.

Whilst stapled arrangements occurring prior to 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) has been treated as minority interest 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 2010 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 (refer Note 1(e)).

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 percent and 50 percent 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

(d) Trade and other payables

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

(e) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. 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.

(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.

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 & fittings	10–20 years
Computer equipment	3–5 years

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(j) Derivative financial instruments

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

The Group documents at the inception of the hedging transaction 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 export sales is recognised in the income statement within 'sales'. 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. At that time, 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.

(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.

Change in accounting policy

The Group has applied AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Standards arising from AASB 8* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any changes to the reportable segments presented from the prior period.

Goodwill is allocated by management to groups of cash-generating units on a segment level. The application of AASB 8 *Operating Segments* from 1 July 2009 has not resulted in any impairment of goodwill. There has been no other impact on the measurement of the Group's assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

(m) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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 are 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 realised 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 realised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are realised 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 realised 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.

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(n) Income tax continued

Current and deferred tax for the period

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

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

Current and deferred tax is determined 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 6.

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

(o) Intangible assets

(i) Project-Related Agreements and Licences

Project-related agreements and licences include the following items:

— Licences, permits and approvals to develop and operate a wind farm, including governmental authorisations, land rights and environmental consents;

— Interconnection rights, and

— Power purchase agreements.

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

(ii) Goodwill

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

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

(iii) Development Assets

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

(p) Leased assets

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

(i) Group as lessee

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are recognised in accordance with the Group's general policy on borrowing costs.

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

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

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

(ii) Group as lessor

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

(q) Impairment of assets

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

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates 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. 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, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

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

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

Revenue is recognised for the major business activities as follows:

(i) Electricity sales

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

(ii) Lease income

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

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(u) Revenue recognition continued

(iii) Renewable Energy Certificates (RECs)

RECs are recorded as an asset at their fair value when they are registered. Revenue is deferred until the RECs are sold.

(iv) Production Tax Credits (PTCs)

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

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

The accelerated tax depreciation credits on wind farm assets are utilised 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 the 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.

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 share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, 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 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.

(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 38).

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.

(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 28.

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 a Monte-Carlo simulation model that takes into account the exercise price, the term of the option, the impact 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 Monte-Carlo simulation 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 impact 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 impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

(iv) Profit-sharing and bonus plans

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

(v) Termination benefits

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

1. SUMMARY OF ACCOUNTING POLICIES CONTINUED

(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 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2]* (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's financial statements.

(ii) AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]* (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

(iii) AASB 9 *Financial Instruments* and *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 *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 yet applicable until 1 January 2013 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 impact as yet.

(iv) 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 will apply the amended standard from 1 July 2011. The changes to AASB 124 will not have any impact on the financial statements of the Group.

(v) AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

(vi) 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 impact on the Group's financial statements. The Group intends to apply the amendment from 1 July 2011.

(ae) Critical accounting estimates and judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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 16 for details of these assumptions and the potential impact 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.

(af) Parent entity financial information

The financial information for the parent entity, Infigen Energy Limited, disclosed in Note 40, 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.

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. REVENUE

	2010 $'000	2009 $'000 (Restated – refer Note 1(a))
From continuing operations		
Revenue from the sale of energy and products[1]	80,851	88,995
Revenue from lease of plant and equipment[1, 2]	210,440	232,688
Compensation for revenues lost as a result of O&M providers not meeting contracted turbine availability targets	14,816	3,251
Revenue from asset management services	8,235	–
	314,342	**324,934**
From discontinued operations (Note 5)		
Revenue from the sale of energy and products[1]	11,214	145,397
Compensation for revenues lost as a result of O&M providers not meeting contracted turbine availability targets	–	2,906
	11,214	**148,303**

[1] Includes revenue from the sale of electricity and from the sale of green products, such as Renewable Energy Certificates (RECs). The Group generates RECs in Australia and sells them under contractual arrangements and on market. $51,359,000 of RECs are included within revenue from continuing operations for the year ended 30 June 2010. The Group retained approximately 82,000 unsold RECs ($3,204,000) at 30 June 2010. These unsold RECs are recorded in the statement of financial position and revenue is deferred until they are sold.

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

3. OTHER INCOME

	2010 $'000	2009 $'000 (Restated – refer Note 1(a))
From continuing operations:		
Income from institutional equity partnerships		
Value of production tax credits offset against Class A liability[1]	85,413	111,217
Value of tax losses offset against Class A liability[1]	49,414	134,333
Benefits deferred during the period[1]	(71,248)	(158,732)
	63,579	**86,818**
Other		
Interest income	7,646	16,423
Foreign exchange gains / (losses)	13,734	26,680
Other income	–	6,509
	21,380	**49,612**

[1] Refer Note 22 for further details.

4. EXPENSES

	2010 $'000	2009 $'000 (Restated – refer Note 1(a))
From continuing operations:		
Profit/ (loss) before income tax has been arrived at after charging the following expenses:		
Other expenses:		
Development costs	316	–
Loss from sale of investment	643	–
Expenses relating to potential sale of overseas assets – contingent hedging of foreign currency proceeds	8,041	–
Expenses relating to potential sale of overseas assets – other costs	3,099	–
	12,099	**–**

The Group undertook a process to sell its interests in overseas businesses during the year ended 30 June 2010. Costs totalling $8,041,000 were incurred in relation to the net costs associated with contingent hedging of potential asset disposals and $3,099,000 other costs were also incurred as part of these sales processes.

	2010 $'000	2009 $'000
Depreciation and amortisation expense:		
Depreciation of property, plant & equipment	130,817	137,973
Amortisation of intangible assets	15,841	15,266
	146,658	**153,239**
Finance costs relating to institutional equity partnerships:		
Allocation of return on outstanding Class A liability[1]	57,377	82,298
Movement in residual interest (Class A)[1]	(7,396)	16,094
Non-controlling interest (Class B)[1]	4,366	6,195
	54,347	**104,587**

[1] Refer Note 22 for further details.

	2010 $'000	2009 $'000
Other finance costs:		
Fair value losses on financial instruments	1,207	12,258
Bank fees and loan amortisation costs	7,024	12,697
	8,231	**24,955**
Significant non-recurring items:		
Termination of management agreements (refer below)	–	41,272
Transition-related expenses (refer below)	9,658	16,262
Management charges – base fees	–	4,820
	9,658	**62,354**

The Group had previously entered into management agreements and an exclusive financial advisory agreement with Babcock & Brown. During the year ended 30 June 2009, the Group terminated these agreements for a total settlement of $40,000,000 before associated costs. Of the $40,000,000, a payment of $35,000,000 was made on 31 December 2008. The remainder, $5,000,000, was paid on 30 June 2009.

As a consequence of terminating the management agreements, Infigen Energy has undertaken transition programs in Australia and the US. During the year ended 30 June 2010, the Group incurred $9,658,000 in relation to the transition program in the US. During the year ended 30 June 2009, the Group incurred $16,262,000 in relation to the transition program in Australia. Management charges of $4,820,000 that were incurred during the year ended 30 June 2009 under previous management agreements with the Babcock & Brown group have been reclassified as a significant non-recurring item in that period.

5. DISCONTINUED OPERATIONS

(a) Details of disposed operations

Sale of French Portfolio

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

Sale of Portuguese Portfolio

During the year ended 30 June 2009, Infigen agreed to sell its jointly-owned portfolio of wind farms in Portugal. The sale and settlement occurred simultaneously in November 2008.

Sale of Spanish Portfolio

In August 2008, Infigen agreed to sell its portfolio of operating Spanish wind energy assets. The sale was subject to local authority consents and financial close occurred in January 2009.

(b) Financial performance

The results of the discontinued operations for the years ended 30 June 2010 and 30 June 2009, respectively through to disposal are presented below:

	30 June 2010		30 June 2009 (Restated – refer Note 1(a))			
	France $'000	Total $'000	France $'000	Portugal $'000	Spain $'000	Total $'000
Revenue (Note 2)	11,214	11,214	12,025	66,413	69,865	148,303
Other income	15	15	40	2,885	1,300	4,225
Expenses	(6,235)	(6,235)	(6,559)	(60,260)	(72,996)	(139,815)
Profit / (loss) before income tax	4,994	4,994	5,506	9,038	(1,831)	12,713
Income tax expense	(1,038)	(1,038)	(211)	(2,246)	(10,145)	(12,602)
Profit / (loss) after income tax of discontinued operations	**3,956**	**3,956**	**5,295**	**6,792**	**(11,976)**	**111**
Profit / (loss) on sale of subsidiary before income tax	(12,925)	(12,925)	–	(3,631)	274,763	271,132
Income tax expense	–	–	–	(3,450)	–	(3,450)
Profit / (loss) on sale of subsidiary after income tax	(12,925)	(12,925)	–	(7,081)	274,763	267,682
Profit / (loss) from discontinued operations before non-controlling interest	**(8,969)**	**(8,969)**	**5,295**	**(289)**	**262,787**	**267,793**
Disposal of non-controlling interest on sale of subsidiary	–	–	–	(3,446)	–	(3,446)
Profit / (loss) from discontinued operations after non-controlling interest	**(8,969)**	**(8,969)**	**5,295**	**(3,735)**	**262,787**	**264,347**

5. DISCONTINUED OPERATIONS CONTINUED

(c) Assets and liabilities and cash flow information of the French disposed entity

The major classes of assets and liabilities of the French assets as at the date of sale are as follows:

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

The net cash flows of the French assets are as follows:

	30 Jun 2010 $'000	30 Jun 2009 $'000
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
Net cash outflow/ (inflow)	**(2,799)**	**2,584**

(d) Details of the sale of the French entity

	6 April 2010 $'000
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	–
Loss on sale after income tax	**(12,925)**[1]
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)
Proceeds on sale of subsidiary, net of cash disposed	**93,916**

[1] Loss on sale after income tax comprises loss on disposal of investment in French entity $5,110,000, financing costs of $5,452,000 and transaction costs of $2,363,000.

(e) Assets and liabilities and cash flow information of the Portuguese and Spanish disposed entities

The major classes of assets and liabilities of the Portuguese assets as at the date of sale (14 November 2008) and the Spanish entity as at the date of sale (8 January 2009) are as follows:

	Portugal 14 Nov 2008 $'000	Spain 08 Jan 2009 $'000
Cash	16,027	19,767
Receivables	126,376	39,227
Prepayments	–	4,039
Investment in associate	–	316
Property, plant and equipment	1,838,108	789,734
Other tax assets	–	9,196
Goodwill	–	34,150
Intangibles	368,211	407,915
Other assets	23,984	–
Total assets	**2,372,706**	**1,304,344**
Trade creditors	151,063	6,250
Current tax payables	–	5,353
Borrowings	1,509,445	1,214,378
Derivative financial instruments	–	23,213
Other tax liabilities	–	49,336
Other liabilities	241,152	–
Total liabilities	**1,901,660**	**1,298,530**
Net assets	**471,046**	**5,814**
Infigen's share of net assets attributable to discontinued operations	**295,525**	**5,814**

The prior year net cash flows of the Portuguese and Spanish assets are as follows:

	Portugal 30 June 2009 $'000	Spain 30 June 2009 $'000
Net cash inflow from operating activities	41,093	58,243
Net cash outflow from investing activities	(81,874)	(40,749)
Net cash inflow/ (outflow) from financing activities	9,070	(19,454)
Net cash inflow/ (outflow)	**(31,711)**	**(1,960)**

(f) Details of the sale of the Portuguese and Spanish entities

	Portugal 14 Nov 2008 $'000	Spain 8 Jan 2009 $'000
Consideration received:		
Cash received from sale	291,894	1,518,168
Repayment of borrowings and settlement of derivatives	–	(1,237,591)
Total disposal consideration	291,894	280,577
Infigen's share of net assets attributable to discontinued operations	(295,525)	(5,814)
Loss on sale before income tax	(3,631)	274,763
Income tax expense	(3,450)	–
Loss on sale after income tax	**(7,081)**	**274,763**
Net cash inflow on disposal:		
Cash and cash equivalents consideration	291,894	1,518,168
Less: cash and cash equivalents balance disposed of	(16,027)	(19,767)
Proceeds on sale of subsidiary, net of cash disposed	**275,867**	**1,498,401**

6. INCOME TAXES AND DEFERRED TAXES

	2010 $'000	2009 $'000 (Restated – refer Note 1(a))
(a) Income tax expense		
Income tax expense/ (benefit) comprises:		
Current tax	(2,814)	10,452
Deferred tax	16,173	(30,428)
Under / (over) provided in prior years	–	50
	13,359	**(19,926)**
Income tax expense/ (benefit) is attributable to:		
Profit / (loss) from continuing operations	12,321	(35,978)
Profit / (loss) from discontinued operations (Note 5)	1,038	16,052
Aggregate income tax expense	**13,359**	**(19,926)**
Deferred income tax (benefit) / expense included in income tax (benefit) / expense comprises:		
Decrease / (increase) in deferred tax assets	(5,366)	(38,790)
(Decrease) / increase in deferred tax liabilities	21,539	8,362
	16,173	**(30,428)**

Tax losses that are derived in the current year are recorded as deferred tax expense.

	2010 $'000	2009 $'000
(b) Numerical reconciliation of income tax expense/ (benefit) to prima facie tax payable:		
Profit/ (loss) from continuing operations before income tax expense	(52,213)	(107,385)
Profit/ (loss) from discontinued operations before income tax expense (Note 5)	(7,931)	280,399
	(60,144)	173,014
Income tax expense/ (benefit) calculated at 30 percent (2009: 30%)	(18,043)	51,904
Increase/ (decrease) in tax expense/ (benefit) due to:		
Non-deductible expenses	21,564	22,845
Non-assessable income	–	(91,022)
Amortisation of intangibles	432	342
Non-deductible interest expense	218	3,326
Unrealised foreign exchange movement	2,591	(4,643)
Sundry items	(195)	(2,744)
Difference in overseas tax rates	(109)	66
Assessable income recognised on internal reorganisation	6,901	–
Income tax expense/ (benefit)	**13,359**	**(19,926)**

	2010 $'000	2009 $'000
(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	(3,619)	7,695
Deferred tax liabilities	(3,288)	3,423
Net deferred tax	**(6,907)**	**11,118**
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	(272,174)	(203,677)
Potential tax benefit @ 30%	**81,652**	**61,103**

6. 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 32.

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.

	2010 $'000	2009 $'000
(f) Current tax liabilities		
Current tax payables:		
Income tax payable attributable to:		
Australian entities in the group	1,585	1,597
Overseas entities in the group	809	446
	2,394	**2,043**

	Opening balance $'000	Charged to income $'000	Charged to Equity $'000	Acquisitions/ disposals $'000	Closing balance $'000
2010					
Gross deferred tax assets:					
Unused revenue tax losses – corporate	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)	–	–	–
	88,342	**5,366**	**3,619**	**–**	**97,327**
Gross deferred tax liabilities:					
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	(5,767)	–	4,458	(1,249)
	(50,012)	**(21,539)**	**3,288**	**4,458**	**(63,805)**
2009					
Gross deferred tax assets:					
Unused revenue tax losses – corporate	32,693	32,565	–	(6,476)	58,782
Deductible goodwill	7,921	–	–	(7,921)	–
Deductible equity raising costs	80	88	–	–	168
Effect of hedge movements	8,406	610	21,086	(6,982)	23,120
Unrealised foreign exchange loss	20,778	1,646	(28,781)	8,234	1,877
Other	2,394	3,881	–	(1,880)	4,395
	72,272	**38,790**	**(7,695)**	**(15,025)**	**88,342**
Gross deferred tax liabilities:					
Depreciation	(261,079)	(6,044)	–	221,931	(45,192)
Effect of hedge movements	(25,031)	(503)	(3,423)	26,310	(2,647)
Unrealised foreign exchange gains	2,803	(2002)	–	(3,034)	(2,233)
Other	(5,715)	187	–	5,588	60
	(289,022)	**(8,362)**	**(3,423)**	**250,795**	**(50,012)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

6. INCOME TAXES AND DEFERRED TAXES CONTINUED

	2010 $'000	2009 $'000
Deferred tax assets to be recovered within 12 months	–	–
Deferred tax assets to be recovered after more than 12 months	97,327	88,342
	97,327	**88,342**
Deferred tax liabilities to be settled within 12 months	–	–
Deferred tax liabilities to be settled after more than 12 months	63,805	50,012
	63,805	**50,012**

7. KEY MANAGEMENT PERSONNEL REMUNERATION

Details of key management personnel

The following directors were Key Management Personnel (KMP) of Infigen from the beginning of the prior financial year until 30 June 2010:

- — Anthony Battle
- — Douglas Clemson
- — Graham Kelly (appointed 20 October 2008)
- — Miles George (appointed 1 January 2009)
- — Michael Hutchinson (appointed 18 June 2009)

The following persons were a director or alternate director of IEL from the beginning of the prior financial year until their resignation:

- — Antonino Lo Bianco (resigned as an alternate director on 8 December 2008)
- — Warren Murphy (resigned as a director on 29 April 2009)
- — Peter Hofbauer (resigned as a director on 18 June 2009)
- — Nils Andersen (resigned as a director on 18 June 2009)[1]
- — Michael Garland (resigned as an alternate director on 18 June 2009)

[1] Appointed as a Director of Infigen Energy RE Limited ("IERL"), the responsible entity for the Trust, on 9 September 2005. Appointed as a director of IEL and IEBL on 8 October 2008. Resigned as a director of IEL, IEBL and IERL on 18 June 2009.

Other KMP of Infigen were:

Name	Role	2010	2009
M George	Chief Executive Officer	Note 1	Note 1
G Dutaillis	Chief Operating Officer	✓	✓
G Dover	Chief Financial Officer	✓	✓
D Richardson	Company Secretary	✗	✓

Note 1: As noted above, Miles George was appointed as a director on 1 January 2009. Prior to this date, during the year ended 30 June 2009, he was a KMP by virtue of his role of Chief Executive Officer.

Key management personnel remuneration

The aggregate remuneration of KMPs of Infigen over FY09 and FY10 is set out below:

	2010 $	2009 $
Short-term employee benefits	2,430,622	3,628,039
Post-employment benefits (superannuation)	93,762	100,558
Other long-term benefits / share-based payments	1,341,845	(82,006)
Total	**3,866,229**	**3,646,591**

7. KEY MANAGEMENT PERSONNEL REMUNERATION CONTINUED

Rights, options and awards held over Infigen securities

Consistent with the termination of management agreements that were in place between Infigen and Babcock & Brown, KMPs that had been previously employed by Babcock & Brown became employees of Infigen on 1 January 2009.

Options, fund bonus deferral rights, and share awards that were held by KMPs over Babcock & Brown securities prior to the termination of management agreements were forfeited or expired on 31 December 2008. This has resulted in the negative value for share-based payments in FY09 as the expense that was previously recognised in relation to these options, fund bonus deferral rights and share awards was reversed in FY09. No additional options, bonus deferral rights and share awards were granted over Babcock & Brown securities to KMPs during FY09.

Performance rights and options over Infigen securities were granted to KMPs in FY09 under the Performance Rights & Options (PR&O) Plan.

No performance rights or options over Infigen securities vested or became exercisable in FY09 and FY10. No Infigen securities were acquired by KMPs as a result of the exercise of options during FY09 and FY10. No performance rights or options were granted, exercised or vested during the year ended 30 June 2010.

Performance rights and options held by KMPs over Infigen securities over the period 1 July 2008 to 30 June 2009 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 in Note 4.

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

	Grant date	Expiry date	Exercise price	Balance at start and end of the year Number
M George	27 Mar 2009	–	N/A	1,112,925
G Dutaillis	27 Mar 2009	–	N/A	578,721
G Dover	27 Mar 2009	–	N/A	578,721

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

	Grant date	Expiry date	Exercise price	Balance at start and end of the year Number
M George	27 Mar 2009	31 Dec 2013	$0.897	5,053,908
G Dutaillis	27 Mar 2009	31 Dec 2013	$0.897	2,628,032
G Dover	27 Mar 2009	31 Dec 2013	$0.897	2,628,032

Security holdings in Infigen

No Infigen securities were granted as remuneration to KMPs during FY09 and FY10. Security holdings of KMPs, including their personally related parties, in Infigen securities over the period 1 July 2008 to 30 June 2010 are set out below.

There was no movement in security holdings of KMPs during the year ended 30 June 2010.

	Balance at 1 July 2008	Acquired during FY09	Sold during FY09	Balance at 30 June 2009 and 30 June 2010
G Kelly	N/A	N/A	N/A	10,000
A Battle	37,634	5,000	–	42,634
D Clemson	140,000	–	–	140,000
M Hutchinson	–	–	–	–
N Andersen	11,694	–	–	N/A
P Hofbauer	3,569,253	–	500,000	N/A
W Murphy	2,406,241	150,351	2,406,241	N/A
M Garland	2,142,000	–	1,513,475	N/A
A Lo Bianco	2,142,000	–	–	N/A
M George	500,000	–	–	500,000
G Dutaillis	607,820	34,000	–	641,820
G Dover	10,000	–	–	10,000

Loans to key personnel and their personally related entities from Infigen

No loans have been made by Infigen to KMPs or their personally related parties during FY09 and FY10.

There are no other transactions with KMPs.

8. REMUNERATION OF AUDITORS

	2010 $	2009 $
PricewaterhouseCoopers: Audit services		
Audit and review of the financial report	1,271,317	1,676,198
Total remuneration for audit services	**1,271,317**	**1,676,198**
PricewaterhouseCoopers: Non-Audit services		
Other assurance related services		
Due diligence and other services	63,500	487,212
Total remuneration for non-audit services	**63,500**	**487,212**

9. TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Current		
Trade receivables	32,425	35,504
Interest receivables	–	27
Amounts due from related parties – associates (Note 35)	328	1,616
Goods & Services Tax and other taxes receivable	8,274	8,909
Other	4,128	2,356
	45,155	**48,412**
Non-current		
Amounts due from related parties – associates (Note 35)	1,171	–
	1,171	**–**

(a) Impairment of trade receivables

There were no impaired trade receivables for the Group in 2010 or 2009.

(b) Past due but not impaired

As of 30 June 2010, trade receivables of $2,033,000 (2009: $229,000) were past due but not impaired. Refer to Note 38 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. In the prior year the Group held $625,000 (EUR 360,000) for bank guarantees issued to the constructor of the Plambeck wind farms in Germany.

(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 38.

(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 38 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

10. INVENTORY

	2010 $'000	2009 $'000
Inventory – Renewable Energy Certificates	3,204	4,801
	3,204	**4,801**

11. PREPAYMENTS

Current		
Prepaid operations expenses	15,149	14,254
Other prepayments	1,227	255
	16,376	**14,509**
Non-current		
Prepaid operations expenses	12,296	6,540
Prepaid investment costs	199	263
	12,495	**6,803**

12. OTHER CURRENT ASSETS

Other	75	1,385
	75	**1,385**

13. DERIVATIVE FINANCIAL INSTRUMENTS – ASSETS

Current		
At fair value:		
Foreign currency forward contracts – cash flow hedges	–	5,105
	–	**5,105**
Non-current		
At fair value:		
Foreign currency forward contracts – cash flow hedges	–	3,717
	–	**3,717**

Refer to Note 38 for further information.

14. INVESTMENTS IN ASSOCIATES

During the year Infigen 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 range from 32 percent 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

	2010 $'000	2009 $'000
Carrying amount at the beginning of the financial year	–	–
Acquired during the year	4,560	–
Share of profits / (loss) after income tax	(85)	–
Disposal of carrying value of investments	(932)	–
Carrying amount at the end of the financial year	**3,543**	**–**

(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:

Group's share of:		
Assets	408	–
Liabilities	572	–
Revenues	–	–
Profit / (Loss)	(85)	–

(c) Contingent liabilities of associates

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

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15. PROPERTY, PLANT AND EQUIPMENT

	Assets under construction $'000	Plant & Equipment at cost $'000	Total $'000
At 1 July 2008			
Cost or fair value	559,304	4,503,824	5,063,128
Accumulated depreciation	–	(175,133)	(175,133)
Net book value	**559,304**	**4,328,691**	**4,887,995**
Year ended 30 June 2009			
Opening net book value	559,304	4,328,691	4,887,995
Additions	331,135	29,441	360,576
Transfers	(313,079)	313,079	–
Acquisitions through business combinations	–	134,143	134,143
Disposals	(256,831)	(2,370,712)	(2,627,543)
Depreciation expense	–	(180,804)	(180,804)
Net foreign currency exchange differences	39,251	782,595	821,846
Closing net book value	**359,780**	**3,036,433**	**3,396,213**
At 30 June 2009			
Cost or fair value	359,780	3,286,428	3,646,208
Accumulated depreciation	–	(249,995)	(249,995)
Net book value	**359,780**	**3,036,433**	**3,396,213**
Year ended 30 June 2010			
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	**35,687**	**3,075,207**	**3,110,894**
At 30 June 2010			
Cost or fair value	35,687	3,442,706	3,478,393
Accumulated depreciation	–	(367,499)	(367,499)
Net book value	**35,687**	**3,075,207**	**3,110,894**

The Group has certain assets with net book value of $39,742,000 which are accounted for under finance leases (2009: $56,336,000). Refer Note 31.

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.

16. GOODWILL

	2010 $'000	2009 $'000
Gross carrying amount		
Balance at beginning of financial year	27,455	48,291
Additional amounts recognised from business combinations occurring during the period (Note 33)	–	6,469
Disposals	–	(34,150)
Net foreign currency exchange differences	(998)	6,845
Balance at end of financial year	**26,457**	**27,455**

(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.

	2010 $'000	2009 $'000
Australia	15,136	15,136
Germany	7,135	7,927
United States	4,186	4,392
	26,457	**27,455**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the life of the wind farm. A high proportion of the Group's revenues are contracted at fixed prices under power purchase agreements.

(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 speeds. In performing these calculations for each CGU, the Group has applied pre-tax discount rates in the range of 8 percent – 10 percent (2009: 8 percent – 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 ("P50") 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 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.

17. INTANGIBLE ASSETS

	Development Assets $'000	Framework agreement $'000	Project-related agreements and licences $'000	Total $'000
At 1 July 2008				
Cost	–	4,800	988,316	993,116
Accumulated amortisation and impairment	–	(4,519)	(23,820)	(28,339)
Net book value	**–**	**281**	**964,496**	**964,777**
Year ended 30 June 2009				
Opening net book value	–	281	964,496	964,777
Additions	–	–	22,484	22,484
Acquisitions through business combinations (ii)	–	–	31,891	31,891
Disposals	–	–	(776,126)	(776,126)
Amortisation expense (i)	–	(281)	(19,748)	(20,029)
Net foreign currency exchange differences	–	–	178,708	178,708
Closing net book value	**–**	**–**	**401,705**	**401,705**
At 30 June 2009				
Cost	–	4,800	427,331	432,131
Accumulated amortisation and impairment	–	(4,800)	(25,626)	(30,426)
Net book value	**–**	**–**	**401,705**	**401,705**
Year ended 30 June 2010				
Opening net book value	–	–	401,705	401,705
Additions	9,127	–	–	9,127
Acquisitions through business combinations (ii)	6,320	–	6,275	12,595
Disposals	–	–	(20,778)	(20,778)
Amortisation expense (i)	–	–	(16,535)	(16,535)
Net foreign currency exchange differences	–	–	(19,533)	(19,533)
Closing net book value	**15,447**	**–**	**351,134**	**366,581**
At 30 June 2010				
Cost	15,447	4,800	390,731	410,978
Accumulated amortisation and impairment	–	(4,800)	(39,597)	(44,397)
Net book value	**15,447**	**–**	**351,134**	**366,581**

(i) Amortisation expense is included in the line item Depreciation and Amortisation Expense in the statement of comprehensive income.
(ii) Includes $nil (2009: $24,671,000) relating to uplift on non-controlling interest (refer Note 22).

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.

Development Assets

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

18. TRADE AND OTHER PAYABLES

	2010 $'000	2009 $'000
Current		
Trade payables and accruals	43,283	66,322
Amounts due to related parties (Note 35)	–	978
Interest payable	102	72
Goods and services and other taxes payable	18,398	7,879
Deferred income	4,120	7,299
Other (i)	8,313	1,360
	74,216	**83,910**
Non-current		
Amounts due to related parties (Note 35)	–	246
Other non-current payables	485	–
	485	**246**

(i) Includes an accrual for annual leave and employee retention bonuses. The entire obligation for annual leave is presented as current, since the Group does not have an unconditional right to defer settlement.

19. BORROWINGS

	2010 $'000	2009 $'000
Current		
Secured		
At amortised cost:		
Global Facility (i)	85,816	77,806
Finance lease liabilities (Note 31)	2,539	2,897
	88,355	**80,703**
Non-current		
Secured		
At amortised cost:		
Global Facility (i)	1,308,757	1,538,262
Capitalised loan costs	(11,676)	(18,791)
	1,297,081	**1,519,471**
Finance lease liabilities (Note 31)	37,204	48,165
	1,334,285	**1,567,636**
Capitalised borrowing costs		
Borrowing costs capitalised during the financial year	5,152	12,441
Weighted average capitalisation rate on funds borrowed generally	6.6%	6.2%

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

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

	Current Balance (Local curr '000)	Current Balance (AUD '000)
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
Gross Debt		**1,434,316**
Less Capitalised Loan Costs		(11,676)
Total Debt		**1,422,640**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

19. BORROWINGS CONTINUED

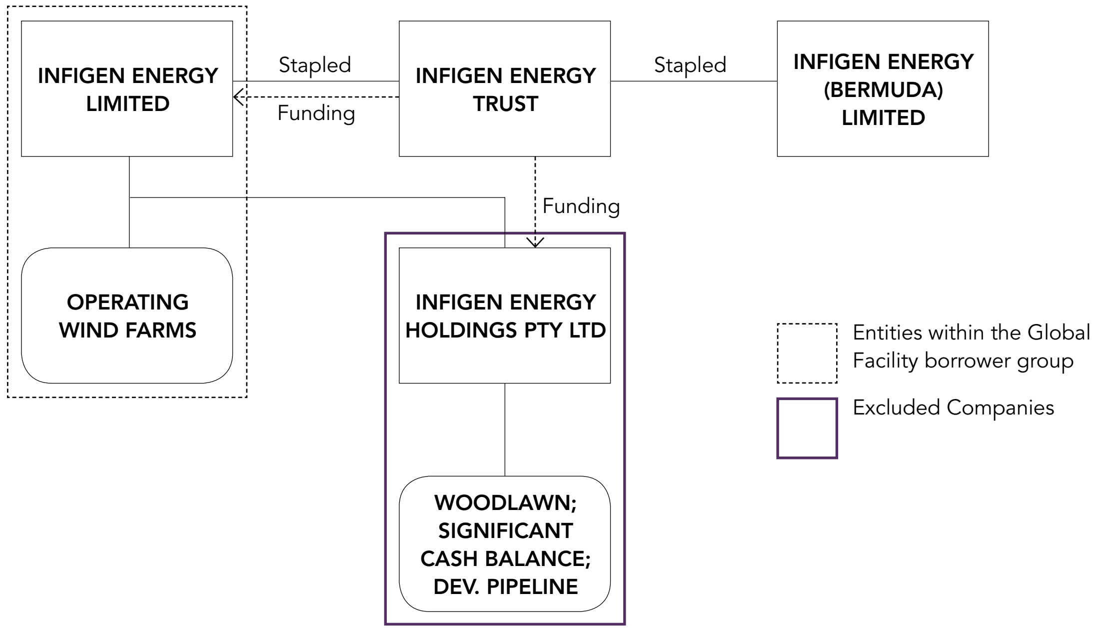
(i) Global Facility

The Group's debt facility (the Global facility) is a fully amortising, multi-currency facility that matures in 2022.

The Global Facility is a syndicated facility that is provided by:

— Banco Espirito Santo de Investimento, S.A. (Espírito Santo Investment),
— Millennium investment banking (Banco Millennium BCP Investimento, S.A.),
— Bank of Scotland (HBOS),
— Dexia Credit Local,
— KFW IPEX Bank GmbH,
— The Governor and Company of the Bank of Ireland,
— Cooperative Centrale Raiffeisen Boerenleenbank B.A.(RABO Bank),
— DEPFA Bank PLC,
— KBC Bank N.V.,
— Natixis Bank,
— The Royal Bank of Scotland,
— Commonwealth Bank of Australia,
— IKB Deutsche Industriebank AG,
— Westpac Banking Corporation,
— Societe Generale Bank,
— Banco Santander S.A.,
— Hypovereinsbank Unicredit Group.

The following diagram provides a high level representation of the Infigen group entities that are part of the Global Facility borrower group (Borrower Group) and those that are not (refer to Excluded Companies below).



The wholly-owned subsidiaries of Infigen that are entitled to returns, including cash distributions, from the US wind farm entities, or institutional equity partnerships (refer Note 22), are included within the Borrower Group.

19. BORROWINGS CONTINUED

Excluded Companies

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

— are not entitled to borrow under the Global Facility;

— are not entitled to deal with companies within the Global Facility other than on an arm's length basis; and,

— are not subject to, or the subject of, the representations, covenants or events of default applicable to the Borrower Group.

Drawings under the Global Facility

Drawings under the Global Facility are in multiple currencies to match the underlying currencies of Infigen's investments and provide a natural foreign currency hedge in relation to the debt servicing of amounts drawn under the Global Facility. The base currency of the Global Facility is the Euro.

Principal Repayments under the Global Facility

Subsequent to 30 June 2010 through to 2022, all surplus cash flows of the Borrower Group, after taking account of future working capital requirements, are used to make repayments under the Global Facility on a semi-annual basis (Cash Sweep). The net proceeds of any disposals of Borrower Group entities are included in the Cash Sweep.

Interest Payments

The Group pays interest each six months based on Euribor (Euro drawings), BBSY (Australian Dollar) or LIBOR (other currencies), plus a margin. The current average margin the Group pays on its borrowings is 90 basis points. It is the Group's policy to use financial instruments to fix the interest rate for a portion of the borrowings (refer Note 38).

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 June 2016: < 8.5 times;

— June 2016 to June 2019: <6.0 times;

— June 2019 to June 2022 (expiry of facility): <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 Borrower Group entities before finance charges, unrealised gains or losses on financial instruments and material items of an unusual or non-recurring nature, and includes cash distributions that have been received from US wind farm entities during the relevant period.

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. Upon the occurrence of such an event an assessment of the impact on the Global Facility would need to be ascertained and, if necessary, an action plan agreed.

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.

Lenders have no security over Excluded Companies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

20. DERIVATIVE FINANCIAL INSTRUMENTS – LIABILITIES

	2010 $'000	2009 $'000
Current		
At fair value:		
Foreign currency forward contracts – cash flow hedges	–	2,550
Interest rate swaps – cash flow hedges	59,573	56,781
	59,573	**59,331**
Non-current		
At fair value:		
Foreign currency forward contracts – cash flow hedges	–	2,023
Interest rate swaps – cash flow hedges	98,284	71,561
	98,284	**73,584**

Refer to Note 38 for further information.

21. PROVISIONS

	2010 $'000	2009 $'000
Current		
Employee benefits	2,627	2,885
	2,627	**2,885**
Non-current		
Employee benefits	239	193
	239	**193**

22. INSTITUTIONAL EQUITY PARTNERSHIPS CLASSIFIED AS LIABILITIES

Nature of institutional equity partnerships

The Group's relationship with the non-managing members and managing members (Class A and Class B institutional investors, respectively) is established through a limited liability company operating agreement that allocates the cash flows generated by the wind farms between the Class B institutional investors (the Group's ownership of these varies from 50%-100%) and allocates the tax benefits, which include Production Tax Credits (PTC) and accelerated depreciation, largely to the Class A institutional investors.

The Class A institutional investors purchase their partnership interests for an upfront cash payment. This payment is fixed so that the investors, as of 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 receivable.

Under these structures, all operating cash flow is allocated to the Class B institutional investors until the earlier of a fixed date, or when the Class B institutional investors recover the amount of invested 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 institutional investors.

After the Reallocation Date, the Class A institutional investors retain a small minority interest for the duration of its membership in the structure. The Group also has an option to purchase the Class A institutional investors' residual interests at fair market value on the Reallocation Date.

Recognition of institutional equity partnerships

The Group either controls or jointly controls the strategic and operating decisions of institutional equity partnerships. Notes 32 and 39 provide further details of controlled and jointly controlled partnerships.

Classification of institutional equity partnerships

Class B and Class A members' investments in institutional equity partnership structures are classified as liabilities in the financial statements as the partnerships have limited lives and the allocation of income earned is governed by contractual agreements over the life of the investment. Whilst classified as liabilities it is important to note:

— Should future operational revenues from the US wind farm investments be insufficient, there is no contractual obligation on the Group to repay the liabilities.

— Institutional balances outstanding (Class A and Class B non-controlling interests) do not impact the Group's lending covenants or interest cover ratios.

— There is no exit mechanism for institutional investors consequently there is no re-financing risk.

22 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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Class A and Class B liabilities:						
At 1 July	**1,016,042**	**969,402**	**96,040**	**71,155**	**1,112,082**	**1,040,557**
Distributions	(1,573)	(3,125)	(13,141)	(20,175)	(14,714)	(23,300)
Value of production tax credits offset against Class A liability	(85,413)	(111,217)	–	–	(85,413)	(111,217)
Value of tax losses offset against Class A liability[1]	(49,414)	(134,333)	–	–	(49,414)	(134,333)
Allocation of return on outstanding Class A liability	57,377	82,298	–	–	57,377	82,298
Movement in residual interest (Class A)	(7,396)	16,094	–	–	(7,396)	16,094
Non-controlling interest (Class B)	–	–	4,366	6,195	4,366	6,195
Uplift on non-controlling interest (Class B) resulting from purchase price allocation	–	–	–	24,971	–	24,971
Foreign exchange (gain)/loss	(50,459)	196,923	(4,820)	13,894	(55,279)	210,817
At 30 June	**879,164**	**1,016,042**	**82,445**	**96,040**	**961,609**	**1,112,082**
Deferred revenue:						
At 1 July					**454,980**	**265,762**
Benefits deferred during the period					71,248	158,732
Foreign exchange (gain)/loss					(18,557)	30,486
At 30 June					**507,671**	**454,980**
					1,469,280	**1,567,062**

[1] This comprises the following tax-effected components:

	2010 $'000	2009 $'000
Total Taxable Income/Loss before accelerated tax depreciation	52,949	61,842
Accelerated tax depreciation	(102,363)	(196,175)
Tax loss	**(49,414)**	**(134,333)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

23. CONTRIBUTED EQUITY

	No. '000	$'000
Fully paid stapled securities/shares		
Balance as at 1 July 2008	868,601	1,014,410
Capital distribution	–	(101,144)
Distribution reinvestment plan (i)	8,398	9,745
Securities bought back on market and cancelled (ii)	(68,822)	(60,898)
Balance as at 30 June 2009	**808,177**	**862,113**
Attributable to:		
Equity holders of the parent		4,496
Equity holders of the other stapled securities (non-controlling interests)		857,617
		862,113
Balance as at 1 July 2009	808,177	862,113
Cash distribution		(36,635)
Securities bought back on market and cancelled (ii)	(47,803)	(41,933)
Balance as at 30 June 2010	**760,374**	**783,545**
Attributable to:		
Equity holders of the parent		2,305
Equity holders of the other stapled securities (non-controlling interests)		781,240
		783,545

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

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

On 18 September 2008, Infigen issued 8,398,000 stapled securities at a price of $1.16 per security in relation to the payment of the final distribution for the year ended 30 June 2008.

On 17 December 2008, Infigen suspended the DRP until further notice. As a result, no distributions were settled through the issue of stapled securities under the Distribution Reinvestment Plan during the year ended 30 June 2009. The DRP was re-instated during the year ended 30 June 2010 but no securities were issued during the year under the DRP. Securities will be issued under the plan at a nil discount to the DRP Price.

(ii) On market security buy-back

On 5 May 2010, Infigen announced its intention to undertake a buy-back of up to 10 percent of its securities between the announcement date and 30 June 2010. No securityholder approval was required for the buy-back.

On 5 September 2008, Infigen announced its intention to undertake a buy-back of up to 10 percent of its securities over the following 12 months. On 26 November 2008, securityholders approved a resolution at the Annual General Meeting for an on-market security buyback of up to 30 percent of securities on issue.

As at 30 June 2010, Infigen had purchased and cancelled 47,803,000 (2009: 68,822,000) stapled securities at an average price of $0.88 (2009: $0.88) per security.

24. RESERVES

	2010 $'000	2009 $'000
Foreign currency translation	12,956	25,718
Hedging	(157,621)	(122,145)
Acquisition	(47,675)	(53,472)
Share-based payment	3,155	1,071
	(189,185)	**(148,828)**
Attributable to:		
Equity holders of the parent	(189,185)	(128,264)
Equity holders of the other stapled securities (non-controlling interests)	–	(20,564)
	(189,185)	**(148,828)**
Foreign currency translation reserve		
Balance at beginning of financial year	25,718	(43,006)
Movement increasing / (decreasing) recognised:		
Translation of foreign operations	(9,680)	99,174
Forward exchange contracts	(3,438)	(5,369)
Deferred tax reversal	356	(25,081)
Balance at end of financial year	**12,956**	**25,718**

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.

	2010 $'000	2009 $'000
Hedging reserve		
Balance at beginning of financial year	(122,145)	28,526
Movement increasing / (decreasing) recognised:		
Interest rate swaps	(42,383)	(183,792)
Deferred tax arising on hedges	6,907	33,121
Balance at end of financial year	**(157,621)**	**(122,145)**

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.

	2010 $'000	2009 $'000
Acquisition reserve		
Balance at beginning of financial year	(53,472)	(49,442)
Acquisition of non-controlling interest of subsidiary (i)	5,797	(4,030)
Balance at end of financial year	**(47,675)**	**(53,472)**

(i) In May, June and August 2009, Infigen Energy acquired various non-controlling interests relating to entities over which Infigen Energy already exerted control. Therefore, the acquisition of these non-controlling interests did not result in a change of control but was an acquisition of the minority shareholders.

These transactions are treated as transactions between owners of the Group. 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 2009 and the year ended 30 June 2010 for $3,224,000 and $2,257,000 (refer Note 37(b)), respectively, the amounts in the table above have been recognised in the acquisition reserve.

	2010 $'000	2009 $'000
Share-based payment reserve		
Balance at beginning of financial year	1,071	–
Share-based payments expense[1]	2,084	1,071
Balance at end of financial year	**3,155**	**1,071**

[1] 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 28 for further detail.

NOTES TO THE FINANCIAL STATEMENTS
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25. RETAINED EARNINGS

	2010 $'000	2009 $'000
Balance at beginning of financial year	199,088	9,594
Net profit / (loss) attributable to stapled security holders	(73,763)	189,494
Balance at end of financial year	**125,325**	**199,088**
Attributable to:		
Equity holders of the parent	120,209	190,587
Equity holders of the other stapled securities (non-controlling interests)	5,116	8,501
	125,325	**199,088**

26. EARNINGS PER SECURITY/ SHARE

	2010 Cents per security	2009 Cents per security (Restated)
Basic earnings per stapled security/ parent entity share:		
Parent entity share		
From continuing operations attributable to the parent entity share holders	(7.7)	(8.5)
From discontinued operations	(1.1)	31.1
Total basic earnings per share attributable to the parent entity share holders	**(8.8)**	**22.6**
Stapled security		
From continuing operations attributable to the stapled security holders	(8.1)	(8.8)
From discontinued operations	(1.1)	31.1
Total basic earnings per share attributable to the stapled security holders	**(9.2)**	**22.3**
Diluted earnings per stapled security/ parent entity share:		
Parent entity share		
From continuing operations attributable to the parent entity share holders	(7.7)	(8.5)
From discontinued operations	(1.1)	30.9
Total diluted earnings per share attributable to the parent entity share holders	**(8.8)**	**22.4**
Stapled security		
From continuing operations attributable to the stapled security holders	(8.1)	(8.8)
From discontinued operations	(1.1)	30.9
Total diluted earnings per share attributable to the stapled security holders	**(9.2)**	**22.1**

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

	2010 $'000	2009 $'000 (Restated)
Earnings attributable to the parent entity share holders		
From continuing operations	(61,409)	(72,694)
From discontinued operations	(8,969)	264,347
Total earnings attributable to the parent entity share holders	**(70,378)**	**191,653**
Earnings attributable to the stapled security holders		
From continuing operations	(64,794)	(74,853)
From discontinued operations	(8,969)	264,347
Total earnings attributable to the stapled security holders	**(73,763)**	**189,494**

	2010 No. '000	2009 No. '000
Weighted average number of securities/ shares for the purposes of basic earnings per security/ share	799,847	849,877
Weighted average number of securities/ shares for the purposes of diluted earnings per security/ share	799,847	856,604

27. DISTRIBUTIONS PAID

	2010 Cents per security	2010 Total $'000	2009 Cents per security	2009 Total $'000
Recognised amounts				
Ordinary securities				
Final distribution in respect of 2009 year of 4.5 cents per stapled security (2008: 7.25 cents) paid on 17 September 2009 (2008: September 2008), 100 percent tax deferred (2008: 100 percent tax deferred)	4.50	36,635	7.25	62,974
No interim distribution in respect of 2010 year (2009: 4.50 cents per stapled security paid in March 2009, 100 percent tax deferred)	–	–	4.50	38,170
		36,635		**101,144**
Distributions paid in cash or satisfied by the issue of new stapled securities under the Distribution Reinvestment Plan during the year ended 30 June 2010 and the year ended 30 June 2009 were as follows:				
Paid in cash		36,635		91,399
Satisfied by the issue of stapled securities		–		9,745
		36,635		**101,144**

On 30 August 2010, the Directors of Infigen declared a final distribution in respect of the year ended 30 June 2010 of 2.00 cents per stapled security (2009: 4.50 cents), 100 percent tax deferred. The amount that will be paid in September 2010 (2009: September 2009) will be $15,207,000 (2009: $36,635,000). As the distribution was declared subsequent to 30 June 2010 no provision has been included as at 30 June 2010.

No franking credits have been generated by the parent entity.

NOTES TO THE FINANCIAL STATEMENTS
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28. SHARE-BASED PAYMENTS

(a) Employee performance rights and options plan

The Performance Rights and Options Plan (PR&O Plan) is designed to deliver to nominated Senior Managers an appropriate long-term equity participation interest in the Group, and in doing so, align the longer term interests of executives and senior management level employees (Senior Managers) with those of securityholders. Any performance rights and options awarded to Senior Managers under the PR&O Plan are 'at risk' and will only vest if the terms and conditions set out under the relevant award are satisfied.

The Board of IEL may in its absolute discretion determine which eligible employees will be offered the opportunity to participate in the PR&O Plan. The PR&O Plan will allow the grant of performance rights and options to participants, with the PR&O Plan Rules setting out the general terms of the PR&O Plan. A grant of performance rights or options under the PR&O Plan is subject to both the PR&O Plan Rules and the terms of the specific grant. Other features of the PR&O Plan are as follows:

- the Board of IEL may impose performance conditions on any grants under the PR&O Plan to reflect the Group's business plans, targets, budgets and its performance objectives. Further information is provided below in relation to performance conditions.
- performance rights and options will not attract dividends, distributions or voting rights until they vest (and in the case of options, are exercised) and stapled securities are allocated (whether or not the stapled securities are subject to non-disposal restrictions).
- upon the performance conditions being satisfied in respect of a performance right and/or option:
  - the performance right automatically vests and IEL must procure the issue or transfer of an Infigen stapled security to the participant; and
  - the option vests but the participant must determine whether to 'exercise' the option. Upon the exercise of the option and payment of relevant exercise price by the participant, IEL must procure the issue or transfer of an Infigen stapled security to the participant.
- the Board of IEL may, in its discretion, accelerate the vesting of all or part of any unvested performance rights or options, including in circumstances such as death, total and permanent disablement, a change of control, a compromise or arrangement under Part 5.1 of the Corporations Act, winding up or delisting.
- the PR&O Plan provides for the acquisition by issue or transfer of fully paid stapled securities by the plan entity appointed by IEL. Stapled securities may then be transferred from the plan entity to a participant upon the relevant performance conditions being satisfied. Any stapled securities issued under the PR&O Plan will rank equally with those traded on the ASX at the time of issue.
- in the event of any capital reorganisation of Infigen (including any bonus issues and rights issues), the participant's options or performance rights will be adjusted, as set out in the PR&O Plan Rules and otherwise in accordance with the Listing Rules. In general, it is intended that the participant will not receive any advantage or disadvantage from such adjustment relative to Infigen securityholders.

Due to the changes affecting the tax treatment of employee share schemes legislated in December 2009, no performance rights or options have been granted to employees of Infigen under the PR&O Plan during the reporting period. However, as part of contractual negotiations, certain new senior full-time employees commencing in FY10 were advised that they would be entitled to receive share-based remuneration under the PR&O Plan. Due to the nature of the relevant positions, it was determined by the Nomination & Remuneration Committee that it was appropriate for these new senior employees to be included in the long-term incentive program. Proposed awards and conditions under the FY10 Grant had not been finalised as at the end of the period due to outstanding further advice at the time regarding the legislative changes introduced in December 2009.

PR&O Plan Arrangements for the FY09 Grant

In 2009, the Board determined that the most appropriate form of incentive arrangement for the FY09 period for the Senior Managers was a long-term incentive arrangement. Following the internalisation of management, the Board determined that on a 'one-off' basis for FY09 nominated Senior Managers would receive a long-term incentive award under the PR&O Plan that encompassed:

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

For Senior Managers participating in the 'one-off' PR&O opportunity, the Board accelerated participation in the PR&O Plan by bringing forward the FY10 PR&O allocation. That 'one-off' opportunity in FY09 enhanced the retention capacity of Infigen's reward framework and the alignment of Senior Manager's reward outcomes with the interests of securityholders. Notwithstanding, for any benefit to vest the Infigen performance thresholds as outlined below must be achieved.

For Senior Managers who received the FY09 Grant under the PR&O Plan (which incorporated the FY10 LTI award), the Board did not make any further awards under the PR&O Plan to those Senior Managers in respect of FY10.

28. SHARE-BASED PAYMENTS CONTINUED

(a) Employee performance rights and options plan continued

Performance Conditions of Awards Granted Under the PR&O Plan for the FY09 Grant

— Participants received 50 percent of their award in the form of performance rights and 50 percent in the form of options. Performance rights and options were awarded to participants 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	Options
Tranche 1	TSR condition	TSR condition
Tranche 2	Operational Performance condition	Operational Performance condition

— The Tranche 1 TSR condition is measured over a 3 year period from 1 January 2009 to 31 December 2011.

— The Tranche 2 Operational Performance condition is measured over a 3 year period from 1 July 2008 to 30 June 2011.

— **TSR condition** (applicable to Tranche 1 performance rights 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 sector). The performance period commences on 1 January 2009 and ends on 31 December 2011. 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.

The percentage of the Tranche 1 performance rights 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 and Tranche 2 options is subject to an Operational Performance condition. In the context of the market volatility and the changing circumstances of Infigen moving to an operational business, this Operational Performance condition is to be established annually by the Board. At the completion of the 3 year performance period, the Operational Performance conditions which have been set will provide a cumulative hurdle which must be achieved in order for the Operational Performance condition to be satisfied.

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.

For the awards granted in the FY09 Grant under the PR&O Plan, the annual targets for FY09 and FY10 were set to reflect the performance expectations of Infigen's business and prevailing market conditions at the respective times. The annual Operational Performance 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 annual Operational Performance targets are confidential to Infigen, however each year's target, and the performance against that target, will be disclosed in Infigen's Annual Report for that year.

— Any performance rights or options that do not vest following the measurement of performance against the TSR and Operational Performance conditions described above will be subject to a single retest 4 years after the commencement of the relevant performance period (ie. 31 December 2012 in regards to the Tranche 1 TSR performance condition and 30 June 2012 in regards to the Tranche 2 Operational Performance condition). Any performance rights or options that do not vest in year 4 will then lapse.

— The Board of IEL will accelerate the vesting of any performance rights or options awarded in the FY09 Grant in the event of a change in control of Infigen as approved by securityholders at the General Meetings held on 29 April 2009.

PR&O Plan Arrangements for the FY10 Grant

During the reporting period, as part of contractual negotiations, certain new senior full-time employees were advised that they would be entitled to receive share-based remuneration under the PR&O Plan (FY10 Grant). Due to the nature of the relevant positions, it was determined by the Nomination & Remuneration Committee that it was appropriate for these new senior employees to be included in the long-term incentive program. Proposed awards and conditions under the FY10 Grant had not been finalised as at the end of the period due to outstanding further advice at the time regarding the legislative changes introduced in December 2009.

28. SHARE-BASED PAYMENTS CONTINUED

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

2010 Deemed Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Lapsed during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number
Performance Rights							
27 Mar 2009	N/A	N/A	3,714,720	–	(291,141)	3,423,579	–
Total			**3,714,720**	**–**	**(291,141)**	**3,423,579**	**–**
Weighted average exercise price			–	–	–	–	–
Options							
27 Mar 2009	31 Dec 2013	$0.897	16,868,935	–	(1,322,102)	15,546,833	–
Total			**16,868,935**	**–**	**(1,322,102)**	**15,546,833**	**–**
Weighted average exercise price			$0.897	–	$0.897	$0.897	–

Performance rights and options were awarded in two tranches of equal value (Tranche 1 and Tranche 2). None were exercised during the year ended 30 June 2010.

During the year ended 30 June 2010, no performance rights or options expired and no performance rights or options vested or became exercisable.

Fair value of performance rights and options granted

The assessed fair values at grant date of performance rights granted in Tranche 1 and Tranche 2 during the year ended 30 June 2009 were $0.543 and $0.708, respectively. The assessed fair values at grant date of options granted in Tranche 1 and Tranche 2 during the year ended 30 June 2009 were $0.207 and $0.211, respectively. The first grant date for the performance rights and options under the PR&O Plan was deemed to be 27 March 2009.

The fair values of performance rights and options at grant date are independently determined using a Monte-Carlo simulation model that takes into account the exercise price, the term of the performance right or option, the impact 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 performance right or option.

The model inputs for performance rights and options granted during the year ended 30 June 2009 included:

(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. Vested options are exercisable until 31 December 2013.

(b) Exercise price for options: $0.897

(c) Grant date: 27 March 2009

(d) Expiry date of options: 31 December 2013

(e) Share price at grant date: $0.86

(f) Expected price volatility of the company's shares: 49.00%

(g) Expected dividend yield: 8.60%

(h) Risk free interest rate: 3.96%

The expected price volatility is based on the actual volatility of Infigen's daily closing share price for the periods from 29 March 2006 to 27 March 2009, from 29 March 2007 to 27 March 2009, and from 31 March 2008 to 27 March 2009.

Where performance rights and options are issued to employees of subsidiaries within the Group, the expense in relation to these performance rights 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:

	2010 $'000	2009 $'000
Performance rights and options issues (net of lapsed awards) under the PR&O Plan	2,084	1,071
	2,084	**1,071**

29. COMMITMENTS FOR EXPENDITURE

	2010 $'000	2009 $'000
(a) Capital expenditure commitments		
Not later than 1 year	69,769	89,162
Later than 1 year and not later than 5 years	–	–
	69,769	**89,162**

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 31 to the financial statements.

	2010 $'000	2009 $'000
(c) Other expenditure commitments		
Other		
Not later than 1 year	12,650	5,823
Later than 1 year and not later than 5 years	28,498	24,526
Later than 5 years	41,861	63,254
	83,009	**93,603**

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

30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

	2010 $'000	2009 $'000
Letters of credit	66,074	77,401
	66,074	**77,401**

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 typical 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 billed Kumeyaay Wind LLC, a Group subsidiary, for the costs of repair to the site and of the replacement of blades.

It is the Group's view that these costs are covered under the manufacturer's warranty. The Group is also seeking to recover liquidated damages for lost production under the manufacturer's performance guarantee. The turbine manufacturer disagrees with this view and, at this time, an outcome is uncertain. Kumeyaay Wind LLC has engaged external legal counsel to represent it in the agreed dispute resolution process, and, if required, through formal litigation. Discussions continue between the management of both organisations in accordance with the agreed resolution process.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

31. LEASES

Finance leases

Leasing arrangements

Finance leases relate to wind turbine generators at the Eifel wind farm and have a term of 14 years with an option to purchase at the end of the term.

Finance lease liabilities

Minimum future lease payments

	2010 $'000	2009 $'000
Commitments in relation to finance leases are payable as follows:		
Not later than 1 year	4,854	5,961
Later than 1 year and not later than 5 years	19,415	23,579
Later than five years	23,159	28,068
Minimum future lease payments	**47,428**	**57,608**
Less future finance charges	(7,686)	(6,546)
Present value of minimum lease payments	**39,742**	**51,062**
Included in the financial statements as:		
Current borrowings (Note 19)	2,538	2,897
Non-current borrowings (Note 19)	37,204	48,165
	39,742	**51,062**

[1] 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.

	2010 $'000	2009 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not later than 1 year	9,221	9,148
Later than 1 year and not later than 5 years	34,826	36,910
Later than 5 years	154,408	175,408
	198,455	**221,466**

32. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest** 2010 %	Ownership interest** 2009 %
Parent entity			
* Infigen Energy Limited	Australia		
Other stapled entities			
Infigen Energy (Bermuda) Limited	Bermuda		
Infigen Energy Trust	Australia		
Subsidiaries of Infigen			
Allegheny Ridge Wind Farm LLC	USA	100%	100%
Aragonne Wind LLC	USA	100%	100%
Bluarc Management Group LLC	USA	100%	100%
Buena Vista Energy LLC	USA	100%	100%
* Capital Wind Farm 2 Pty Limited	Australia	100%	–
* Capital Wind Farm Holdings Pty Limited	Australia	100%	100%
* Capital Wind Farm (BB) Trust	Australia	100%	100%
Caprock Wind LLC	USA	100%[1]	100%[1]
Caprock Wind Investments LLC	USA	100%	100%
CCWE Holdings LLC	USA	67%[1]	67%[1]
Cedar Creek Wind Energy LLC	USA	67%[1]	67%[1]
Crescent Ridge Holdings LLC	USA	75%[1]	75%[1]
Crescent Ridge LLC	USA	75%[1]	75%[1]
* CS CWF Trust	Australia	100%	100%
CS Walkaway Trust	Australia	100%	100%
IFN Crescent Ridge LLC	USA	100%	–
Infigen Energy Management LLC	USA	100%	100%
Infigen Energy Verwaltungs GmbH	Germany	100%	100%
Infigen Energy (Niederrhein) Limited	UK	100%	100%
Infigen Energy (Eifel) Ltd	UK	100%	100%
Infigen Energy GmbH	Germany	100%	100%
Infigen Energy Holdings Sarl	Luxembourg	100%	100%
Infigen Energy Germany Holdings Sarl	Luxembourg	100%	100%
Infigen Energy Vest Holdings Sarl	Luxembourg	100%	100%
Infigen Energy Gesa Holdings Sarl	Luxembourg	100%	100%
Infigen Energy Nor Holdings Sarl	Luxembourg	100%	100%
Infigen Energy US LLC	USA	100%	100%
* Infigen Energy T Services Pty Limited	Australia	100%	100%
* Infigen Energy Custodian Services Pty Limited	Australia	100%	100%
* Infigen Energy Development Holdings Pty Limited	Australia	100%	100%
* Infigen Energy Development Pty Ltd	Australia	100%	100%
* Infigen Energy Services Holdings Pty Limited	Australia	100%	100%
* Infigen Energy Services Pty Limited	Australia	100%	100%
* Infigen Energy RE Limited	Australia	100%	100%
* Infigen Energy Investments Pty Limited	Australia	100%	100%
* Infigen Energy Markets Pty Limited	Australia	100%	–
* Infigen Energy US Partnership	USA	100%	100%
Infigen Energy US Corporation	USA	100%	100%

* Denotes a member of the IEL tax consolidated group.
** The proportion of ownership interest is equal to the proportion of voting power held.
[1] Class B Member interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

32. SUBSIDIARIES CONTINUED

Name of entity	Country of incorporation	Ownership interest** 2010 %	Ownership interest** 2009 %
* 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%
* GWP Europe 2 Pty Limited	Australia	100%	100%
GSG LLC	USA	100%	100%
Kumeyaay Holdings LLC	USA	100%[1]	100%[1]
Kumeyaay Wind LLC	USA	100%	100%
* Lake Bonney Wind Power Pty Limited	Australia	100%	100%
* Lake Bonney 2 Holdings 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%
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%
POP Personnel LLC	USA	100%	100%
* Renewable Power Ventures Pty Limited	Australia	100%	100%
RPV Investment Trust	Australia	100%	100%
Societe d'Exploitation du Parc Eolien de Fond Du Moulin SARL	France	–	100%
Societe d'Exploitation du Parc Eolien de Mont Felix SARL	France	–	100%
Societe d'Exploitation du Parc Eolien Le Marquay SARL	France	–	100%
* Societe d'Exploitation du Parc Eolien Le Chemin Vert SARL	France	–	100%
* Societe d'Exploitation du Parc Eolien Les Trentes SARL	France	–	100%
Societe d'Exploitation du Parc Eolien Sole de Bellevue SARL	France	–	100%
Windfarm Seehausen GmbH	Germany	100%	100%
Sonnenberg Windpark GmbH & Co KG	Germany	100%	100%
* 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%	100%
Windpark Hiddestorf GmbH & Co KG	Germany	100%	100%
Windpark Kaarst GmbH & Co KG	Germany	100%	100%
Windpark Niederrhein GmbH & Co KG	Germany	100%	100%
Windpark Calau GmbH & Co. KG	Germany	100%	100%
Windpark Langwedel GmbH & Co. KG	Germany	100%	100%
Windpark Leddin GmbH & Co. KG	Germany	100%	100%
Windfarm Coswig GmbH	Germany	100%	100%
Windfarm Eschweiler GmbH	Germany	100%	100%
* Woodlawn Wind Pty Ltd	Australia	100%	–
* WWP Holdings Pty Limited	Australia	100%	100%

32. SUBSIDIARIES CONTINUED

Name of entity	Country of incorporation	Ownership interest** 2010 %	2009 %
Babcock & Brown Cedar Creek LLC	USA	100%	100%
Babcock & Brown Blue Canyon LLC	USA	100%	100%
Babcock & Brown Caprock LLC	USA	100%	80%
Babcock & Brown Combine Hills LLC	USA	100%	100%
Babcock & Brown Kumeyaay LLC	USA	100%	100%
Babcock & Brown Sweetwater 1 LLC	USA	100%	100%
Babcock & Brown Sweetwater 2 LLC	USA	100%	100%
Babcock & Brown Sweetwater 3 LLC	USA	100%	100%
Babcock & Brown Sweetwater 4-5 LLC	USA	100%	100%
Babcock & Brown Wind Park Jersey LLC	USA	100%	100%
* BBWP Europe Pty Limited	Australia	100%	100%
* BBWP Europe 2 Pty Limited	Australia	100%	100%
* BBWP Europe 3 Pty Limited	Australia	100%	100%
* BBWP Europe 4 Pty Limited	Australia	100%	100%
* BBWP Europe 5 Pty Limited	Australia	100%	100%
BBWP Europe Holdings Malta II Limited	Malta	–	100%
* BBWP Germany Holdings Pty Limited	Australia	100%	100%
* BBWP Germany Holdings 2 Pty Limited	Australia	100%	100%
* BBWP Germany Holdings 3 Pty Limited	Australia	100%	100%
BBWP Holdings (Bermuda) Limited	Bermuda	100%	100%
B & B Wind Portfolio I LLC	USA	100%	100%
Babcock & Brown Wind Portfolio Holdings I LLC	USA	100%[1]	100%[1]

* Denotes a member of the IEL tax consolidated group.
** The proportion of ownership interest is equal to the proportion of voting power held.
[1] Class B Member interest.

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33. ACQUISITION OF BUSINESSES

Year ended 30 June 2010

(i) Infigen Energy Markets Pty Limited

In March 2010, Infigen Energy Services Holdings Pty Limited, a subsidiary of IEL, purchased 100 percent of the share capital of Infigen Energy Markets Pty Limited which holds a licence to sell energy to retail customers and trade in energy markets.

The purchase price was approximately $10,373,000.

The fair value of net assets acquired, $10,373,000, are 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.

	Carrying value $'000	Fair value $'000
Purchase consideration		
Cash, including associated costs		9,640
Cash paid after the end of the financial year		303
Contingent consideration[1]		430
		10,373
Net assets / (liabilities) acquired		
Intangible assets	–	6,275
Cash	6,727	6,727
Trade debtors & receivables	1,627	1,627
Accrued revenue	1,577	1,577
Payables	(4,105)	(4,105)
Other liabilities	(1,728)	(1,728)
	4,098	**10,373**
Goodwill		**–**

[1] Contingent consideration represents the estimated amount payable to the vendor subsequent to acquisition. Contingent consideration is based upon the performance of Infigen Energy Markets over the period from acquisition to the end of the deferred consideration period on 31 December 2011.

Year ended 30 June 2009

(i) Seehausen

In September 2008, BBWP Gesa Holdings GmbH & Co KG, a subsidiary of IEL, purchased 100 percent of the share capital of Seehausen GmbH which operates the Seehausen wind farm in Germany.

The purchase price was approximately $970,000, including associated costs.

The fair value of net assets acquired, $559,000, are provided in the table below.

The acquired business contributed revenues of $1,444,000 and net profit of $450,000 to the Group for the period from acquisition to 30 June 2009. If the acquisition had occurred on 1 July 2008, revenue of $1,444,000 and net profit of $450,000 would have been contributed to the Group.

	Carrying value $'000	Fair value $'000
Purchase consideration		
Cash, including associated costs		**970**
Net assets / (liabilities) acquired		
Cash	516	516
Plant and equipment	17,123	17,123
Intangibles	–	1,370
Payables	(120)	(120)
Interest-bearing liabilities	(17,919)	(17,919)
Other liabilities	–	(411)
	(400)	**559**
Goodwill		**411**

(ii) Plambeck Portfolio

In May 2009, BBWP Europe KG Holdings 2 Lux Sarl, a subsidiary of IEL, purchased 100 percent of the share capital of each of Windpark Calau GmbH & Co. KG, Windpark Langwedel GmbH & Co. KG Windpark Leddin GmbH & Co. KG.

The purchase price was approximately $3,480,000, including associated costs.

The fair value of net assets acquired, $1,814,000, are provided in the table below.

The acquired businesses contributed revenues of $6,034,000 and net loss of $416,000 to the Group for the period from acquisition to 30 June 2009. If the acquisition had occurred on 1 July 2008, revenue of $11,255,000 and net loss of $725,000 would have been contributed to the Group.

	Carrying value $'000	Fair value $'000
Purchase consideration		
Cash, including associated costs		**3,480**
Net assets / (liabilities) acquired		
Cash	3,676	3,676
Receivables	8,165	8,165
Plant and equipment	116,396	116,396
Other assets	933	933
Intangibles	–	5,550
Payables	(7,082)	(7,082)
Interest bearing liabilities	(124,070)	(124,070)
Other liabilities	(89)	(1,754)
	(2,071)	**1,814**
Goodwill		**1,666**

33. ACQUISITION OF BUSINESSES CONTINUED

Year ended 30 June 2009 continued

(iii) Bluarc Management Group (Bluarc)

In June 2009, Infigen Energy US Asset Management LLC, a subsidiary of IEL, purchased 100 percent of the share capital of Bluarc (formerly Babcock & Brown Power Operating Partners). Bluarc forms part of a group of assets that IEL, or subsidiaries of IEL, have agreed to acquire from Babcock & Brown Limited.

The total purchase price for this group of assets, which includes certain non-controlling interests relating to entities that IEL already controls and a pipeline of development projects in Australia and New Zealand, was $23,400,000.

As of 30 June 2009, the Group had purchased certain non-controlling interests and Bluarc. Of the $23,400,000 total purchase price, $9,244,000 (including $2,011,000 held in escrow) had been paid as of 30 June 2009. Of this, $3,224,000 has been allocated to the non-controlling interest acquisitions (refer Note 24) and the remainder, $4,008,000, to Bluarc. All remaining payments, relating to interests in shares in various entities (refer Note 14), development rights, land and non-controlling interests in subsidiaries (refer Note 24), were made during the year ended 30 June 2010.

The fair value of net assets acquired was $1,627,000.

The acquired business contributed revenues of $152,000 and net loss of $1,697,000 to the Group for the period from acquisition to 30 June 2009. If the acquisition had occurred on 1 July 2008, revenue of $8,740,000 and net loss of $2,667,000 would have been contributed to the Group.

	Carrying value $'000	Fair value $'000
Purchase consideration		
Cash, including funds held in escrow and associated costs		**6,019**
Net assets / (liabilities) acquired		
Cash	1,414	1,414
Receivables	515	515
Plant and equipment	624	624
Other assets	194	194
Other liabilities	(1,120)	(1,120)
	1,627	**1,627**
Goodwill		**4,392**

34. SEGMENT INFORMATION

(a) Segment information provided to the Board of Directors

Following the adoption of AASB 8, *Operating Segments,* and AASB 2007-3, *Amendments to Australian Accounting Standards* arising from AASB 8 (refer Note 1(l)), 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 three reportable segments. The reporting segments consist of the wind farm and generation business held within each geographical area.

NOTES TO THE FINANCIAL STATEMENTS
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34. SEGMENT INFORMATION CONTINUED

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the operating segments for the year ended 30 June 2010 is as follows:

	Australia $'000	US $'000	Germany $'000	Total $'000
Year ended 30 June 2010				
Segment revenue	106,152	158,922	30,549	**295,623**
Revenue – non-controlling interests				18,719
Statutory revenue				**314,342**
Segment EBITDA from Operations	86,059	87,054	22,365	**195,478**
Corporate costs (excluding share-based payment expense)				(19,724)
Development costs				(959)
Segment EBITDA				**174,795**
Segment EBITDA				174,795
Share-based payment expense				(2,084)
EBITDA				**172,711**
Year ended 30 June 2009				
Segment revenue	73,638	202,478	27,688	**303,804**
Revenue – non-controlling interests				26,099
Elimination				(4,969)
Statutory revenue				**324,934**
Segment EBITDA from Operations	58,851	135,076	21,185	**215,112**
Corporate costs (excluding share-based payment expense)				(20,693)
Segment EBITDA				**194,419**
Segment EBITDA				194,419
Share-based payment expense				(1,071)
Management charges – base fees				(4,820)
EBITDA				**188,528**

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.

Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central 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.

34. SEGMENT INFORMATION CONTINUED

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

	2010 $'000	2009 $'000
Segment EBITDA	174,795	194,419
Non-controlling interests proportionally consolidated for segment reporting	14,100	15,447
Income from institutional equity partnerships	63,579	86,818
Other income	21,380	49,612
Expenses arising from share-based payment transactions	(2,084)	(1,071)
Expenses relating to potential sale of overseas assets	(11,140)	–
Depreciation and amortisation expense	(146,658)	(153,239)
Interest expense	(93,864)	(107,295)
Finance costs relating to institutional equity partnerships	(54,347)	(104,587)
Other finance costs	(8,231)	(24,955)
Significant non-recurring items	(9,658)	(62,534)
Share of net profits from associates and joint venture partnerships accounted for using the equity method	(85)	–
Net loss before income tax expense and discontinued operations	**(52,213)**	**(107,385)**

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

	Australia $'000	US $'000	Germany $'000	Total $'000
Year ended 30 June 2010				
Current assets	176,010	78,399	40,351	294,760
Non-current assets	1,184,227	2,178,431	255,810	3,618,468
Total	**1,360,237**	**2,256,830**	**296,161**	**3,913,228**
Year ended 30 June 2009				
Current assets	120,015	89,452	263,850	473,317
Non-current assets	1,099,036	2,390,363	305,625	3,795,024
Total[1]	**1,219,051**	**2,479,815**	**569,475**	**4,268,341**

[1] Total assets in 2009 excludes discontinued operations (France) amounting to $139,440,000 ($10,228,000 current and $129,212,000 non-current). Consolidated total assets for the year ended 30 June 2009, including the discontinued operations were $4,407,781,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

35. RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage ownership held in subsidiaries are disclosed in Note 32 to the financial statements.

(b) Key management personnel disclosures

Details of key management personnel remuneration are disclosed in Note 7 to the financial statements.

(c) Other related party transactions

Year-ended 30 June 2010

Related party balances

At the year end the Group was owed an amount of $1,499,000 from various associates.

Effective 1 July 2009, Babcock & Brown and its subsidiaries are no longer related parties of the Group.

Year-ended 30 June 2009

Termination of Management Agreements

The Group had previously entered into management agreements and an exclusive financial advisory agreement with subsidiaries of Babcock & Brown.

On 31 December 2008, the Group terminated these agreements for a total settlement of $40,000,000 before associated costs.

As this event occurred part way through the financial year, Babcock & Brown has been treated as a related party for the whole of the year ended 30 June 2009 for the purposes of this Note.

Transactions involving other related parties

Receivables from related parties are disclosed in Note 9. Payables to related parties (associates) are disclosed in Note 18. Transactions were made on normal commercial terms and conditions and under normal market rates.

Custodian, Responsible Entity and Manager fees and costs

During the year ended 30 June 2009, the Group terminated the Custodian Agreement that had previously been in place with Babcock & Brown Asset Holdings Pty Limited ("BBAH"), which was a subsidiary of Babcock & Brown Limited.

Under the terms of the Custodian Agreement, 0.0125 percent of the gross asset value of IET was payable annually. During the year ended 30 June 2009, fees paid to BBAH by the Group were $119,000.

During the year ended 30 June 2009, the Group acquired the Responsible Entity from the Babcock & Brown group.

Under IET's constitution, the Responsible Entity ("RE") is entitled to a management fee of 2 percent per annum of the value of the gross assets of the Group. The RE had previously exercised its right under the constitution to waive the fee referred to above such that it is paid remuneration of $500,000 per annum, increased by CPI annually. During the year ended 30 June 2009, prior to the acquisition of the Responsible Entity, IET incurred Responsible Entity fees of $303,000.

Under the management agreements, a base fee of 1.4 percent per annum of the net investment value of the Group had been payable at the end of each quarter. During the year ended 30 June 2009, prior to the termination of management agreements, base management fees of $4,820,000 were paid. Of this amount, IEL incurred $4,331,000, IET incurred $59,000 and IEBL incurred $430,000.

Under the management agreement between IEL and Babcock & Brown Wind Partner Management (BBWPM), BBWPM had been entitled to an amount per annum in respect of expenses. During the year ended 30 June 2009, prior to the termination of the management agreements, IEL incurred $5,550,000, representing management expenses incurred by BBWPM in the performance of its duties.

Under a management agreement between Olivento S.L. and each of Babcock & Brown Limited and Babcock & Brown S.L., approximately $895,000 was paid during the year ended 30 June 2009 for the management of the Spanish Wind farms.

Related party operational payments

The Group paid $720,000 to Renerco A.G. under Technical Management Agreements during the year ended 30 June 2009 for the operational management of German wind farms

The Group paid approximately $5,747,000 to Bluarc, at the time a subsidiary of Babcock & Brown Limited under certain project and fiscal administration agreements during the year ended 30 June 2009 in relation to the US wind farms in which the Group has an interest. During the year ended 30 June 2009, the Group acquired Bluarc (refer Note 33).

Transactions with related parties

During the year ended 30 June 2009, the Group entered into arrangements to purchase certain assets from Babcock & Brown. These included the US asset management business, as well as Babcock & Brown's Australian and New Zealand development pipeline of wind farm projects and various non-controlling interests relating to wind farm entities in which the Group already had a controlling interest. The combined purchase price for this group of assets was $23,400,000.

During the year ended 30 June 2009, the Group purchased the US asset management business and certain non-controlling interests. Subsequent to 30 June 2009, the Group acquired the remaining non-controlling interests and the Australian and New Zealand development pipeline of wind farm projects (refer Note 33).

In respect of this group of assets, an amount of $7,232,000 was paid to Babcock & Brown during the year ended 30 June 2009.

During the year ended 30 June 2009 Infigen received $13,355,000 from Babcock & Brown in relation to a rebate of framework incentive fees that had been previously charged.

During the year ended 30 June 2009 Infigen paid a subsidiary of Babcock & Brown Limited a total of $14,831,000 in development premiums relating to the development of wind farms in Australia.

Share holdings of related parties

During the year ended 30 June 2009, the Babcock & Brown Group disposed of its holdings of the Group's stapled securities. The Group paid distributions of $11,365,000 to the Babcock & Brown Group during the year ended 30 June 2009.

(d) Parent entities

The parent entity in the Group is IEL.

The ultimate Australian parent entity is IEL.

The ultimate parent entity is IEL.

36. SUBSEQUENT EVENTS

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

37. NOTES TO THE CASH FLOW STATEMENT

	2010 $'000	2009 $'000
(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	229,950	409,334
	229,950	**409,334**
(b) Businesses acquired		
During the financial year, 1 business (2009: 8) was acquired. Details of the acquisitions are as follows:		
Consideration		
Cash paid	9,640	10,469
Cash paid after the end of the financial year	303	–
Contingent consideration deferred	430	–
Cash and cash equivalents paid	**10,373**	**10,469**
Fair value of net assets acquired		
Cash	6,727	5,606
Receivables and other current assets	3,204	8,680
Property, plant and equipment	–	134,143
Intangibles	6,275	6,920
Other assets	–	1,127
Payables	(4,105)	(7,202)
Interest bearing liabilities	–	(141,989)
Other liabilities	(1,728)	(3,285)
Net assets/ (liabilities) acquired	**10,373**	**4,000**
Goodwill	**–**	**6,469**
Net cash outflow on acquisition		
Total consideration	10,373	10,469
Less: cash and cash equivalent balances acquired	(6,727)	(5,606)
Less: cash paid after the end of the financial year and deferred consideration	(733)	–
Add: payment for non-controlling interests (Note 24)	2,257	3,224
Add: prior year and future acquisition costs paid	–	20,569
Cash paid for investments in controlled entities	**5,170**	**28,656**
(c) Non-cash financing and investing activities		
Distribution reinvestment plan (Note 27)	–	9,745
	–	**9,745**

(d) Restricted cash balances

As at balance date, $26,011,000 (2009: $17,226,000) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

38. 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 a central treasury department under policies approved by the Board of Directors. 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 minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. In line with the Group's treasury policy derivatives are exclusively used for hedging purposes, not as trading or other speculative instruments.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

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

(a) Market risks

(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 swap contracts. During 2010 and 2009, 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 swaps. The following table shows a breakdown of the Group's interest rate debt and swap 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, to protect itself from downside risks of increasing interest rates and to secure a greater level of predictability for cash flows.

Interest rate swap contracts – designated as cash flow hedges

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. The fair value of interest rate swaps 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 swap contracts outstanding as at reporting date:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2010 %	2009 %	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Outstanding fixed interest rate swaps						
Fixed swap – Australia Dollar	6.74	6.74	596,877	621,829	(44,503)	(35,166)
Fixed swap – Euro	4.87	4.81	189,212	295,671	(26,597)	(28,179)
Fixed swap – US Dollar	5.28	5.28	516,220	541,339	(86,757)	(64,997)
			1,302,309	**1,458,839**	**(157,857)**	**(128,342)**

38. FINANCIAL RISK MANAGEMENT CONTINUED

(i) Interest rate risks continued

Bank debt as at balance date

The table below details the total amount of debt and breakdown of fixed and floating debt the Group holds as at 30 June 2010.

The 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 current six month fixed and floating rate debt detailed in the table below is not inclusive of the facility margin.

The current average facility margin is 90 basis points (2009: 92 basis points).

	Floating Debt 2010 %	Floating Debt 2009 %	Debt principal amount 2010 $'000	Debt principal amount 2009 $'000
Floating rate debt				
AUD debt	5.10	3.73	49,551	16,100
EUR debt	1.04	2.87	11,396	47,862
USD debt	0.75	1.95	28,697	93,268
			89,644	**157,230**

	Fixed Debt %	Fixed Debt %	Debt principal amount $'000	Debt principal amount $'000	% of Debt Hedged $'000	% of Debt Hedged $'000
Fixed rate debt						
AUD debt	6.74	6.74	599,497	621,829	92	97
EUR debt	4.87	4.81	228,955	346,733	95	88
USD debt	5.28	5.28	516,220	541,339	95	85
			1,344,672	**1,509,901**	**94**	**91**
Total Debt	**5.70**	**5.46**	**1,434,316**	**1,667,131**		

The table below shows the maturity profile of the interest rate swaps as of 30 June 2010 and 30 June 2009.

	Fair value AUD$'000	Undiscounted fair value AUD$'000	Up to 12 months AUD$'000	1 to 5 years AUD$'000	After 5 years AUD$'000
2010					
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)[1]	(34,885)	(14,044)
	(157,857)	**(176,279)**	**(60,220)**	**(79,299)**	**(36,760)**

[1] Includes interest rate swaps of $27,431,000 that can be terminated by the counterparty prior to maturity.

	Fair value AUD$'000	Undiscounted fair value AUD$'000	Up to 12 months AUD$'000	1 to 5 years AUD$'000	After 5 years AUD$'000
2009					
AUD swaps	(35,166)	(40,491)	(20,162)	(15,314)	(5,015)
EUR swaps	(28,179)	(30,820)	(10,310)	(17,181)	(3,329)
USD swaps	(64,997)	(72,671)	(23,019)	(35,561)	(14,091)
	(128,342)	**(143,982)**	**(53,491)**	**(68,056)**	**(22,435)**

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 2010, a net loss of $1,207,000 was recorded (2009: $12,258,000 net loss) and included in finance costs.

Sensitivity

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

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38. FINANCIAL RISK MANAGEMENT CONTINUED

(i) Interest rate risks continued

			AUD +100 bps	AUD –100 bps	EUR +100 bps	EUR –100 bps	USD +100 bps	USD –100 bps
2010 AUD $'000								
Impact on income statement								
Cash	AUD	192,146	1,921	(1,921)	–	–	–	–
	EUR	3,601	–	–	36	(36)	–	–
	USD	34,203	–	–	–	–	342	(342)
		229,950						
Borrowings	AUD	649,048	(496)	496	–	–	–	–
	EUR	200,609	–	–	(114)	114	–	–
	USD	544,917	–	–	–	–	(287)	287
Finance Lease	EUR	39,742	–	–	–	–	–	–
Cap Loan Cost	AUD	(11,676)	–	–	–	–	–	–
		1,422,640						
Derivatives – interest rate swaps	AUD	596,877	4,123	(4,123)	–	–	–	–
	EUR	189,212	–	–	–	–	–	–
	USD	516,220	–	–	–	–	–	–
		1,302,309						
Total income statement			**5,548**	**(5,548)**	**(78)**	**78**	**55**	**(55)**
Impact on hedge reserve								
Derivatives – interest rate swaps	AUD	596,877	30,215	(30,215)	–	–	–	–
	EUR	189,212	–	–	8,495	(8,495)	–	–
	USD	516,220	–	–	–	–	29,577	(29,577)
Total hedge reserve		**1,302,309**	**30,215**	**(30,215)**	**8,495**	**(8,495)**	**29,577**	**(29,577)**
Total impact on equity			**35,763**	**(35,763)**	**8,417**	**(8,417)**	**29,632**	**(29,632)**
2009 AUD $'000								
Impact on income statement								
Cash	AUD	312,679	3,126	(3,126)	–	–	–	–
	EUR	35,052	–	–	351	(351)	–	–
	USD	61,603	–	–	–	–	616	(616)
		409,334						
Borrowings	AUD	637,929	(161)	161	–	–	–	–
	EUR	343,533	–	–	(479)	479		
	USD	634,607	–	–	–	–	(936)	936
Finance Lease	EUR	51,062	–	–	–	–	–	–
Cap Loan cost	AUD	(18,791)	–	–	–	–	–	–
		1,648,339						
Derivatives – interest rate swaps	AUD	621,829	4,624	(4,624)	–	–	–	–
	EUR	295,671	–	–	–	–	–	–
	USD	541,339	–	–	–	–	–	–
		1,458,839						
Total income statement			**7,589**	**(7,589)**	**(128)**	**128**	**(320)**	**320**
Impact on hedge reserve								
Derivatives – interest rate swaps	AUD	621,829	33,397	(33,397)	–	–	–	–
	EUR	295,671	–	–	21,171	(21,171)	–	–
	USD	541,339	–	–	–	–	39,148	(39,148)
Total hedge reserve		**1,458,839**	**33,397**	**(33,397)**	**21,171**	**(21,171)**	**39,148**	**(39,148)**
Total impact on equity			**40,986**	**(40,986)**	**21,043**	**(21,043)**	**38,828**	**(38,828)**

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

38. FINANCIAL RISK MANAGEMENT CONTINUED

(ii) Foreign currency risks

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

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

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group aims to ensure that the majority of its expenses are denominated in the same currency as the associated revenues. For example, under the Group's Global Facility the matching principle is used by drawing down debt in the currency of the cash flows that the underlying operation generates. Consequently, only the net cash flows of an operation are exposed to currency fluctuations.

Consistent with the Group's treasury guidelines regarding preservation of capital the Group only utilises forward foreign exchange contracts when there is actual return of net investment from its European and US operations. The cash generated from the US and European operation will be used completely for debt service post 30 June 2010 and will not be repatriated.

No foreign exchange forward contracts are currently in place.

Forward foreign exchange contracts

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2010	2009	2010 FC'000	2009 FC'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Outstanding contracts								
Sell USD buy AUD	–	0.7463	–	76,500	–	102,509	–	4,249

As at the reporting date the amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is $nil (2009: $4,249,000). All amounts relating to the forward foreign exchange contracts settled in 2010 were recognised in the income statement.

The Group's balance sheet exposure to foreign currency risk at the reporting date was as follows.

The below table represents the EUR and USD assets and liabilities the group holds in AUD functional currency entities.

	2010		2009	
Foreign Currency AUD'000	**EUR**	**USD**	**EUR**	**USD**
Cash	147	1,256	738	3,688
Trade receivable	6,992	42	2,627	5
Short-term Intercompany Loans	135,654	1,474	275,127	–
Net investment in foreign operations	15,441	304,057	24,513	333,990
Trade payables	(3,966)	(329)	(1,638)	–
Bank loans	(160,240)	(52,550)	(251,709)	(71,235)
Forward exchange contracts – sell foreign currency (cash flow hedges)	–	–	–	(94,119)
Total Exposure Foreign Currency '000	**(5,972)**	**253,950**	**49,658**	**172,329**

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 as this is considered reasonable given the current level of exchange rates and the volatility observed on an historic basis and market expectations for future movement.

Consolidated AUD'000	**AUD/EUR + 10%**	**AUD/EUR – 10%**	**AUD/USD + 10%**	**AUD/USD – 10%**
2010				
Income statement	2,141	(2,141)	5,011	(5,011)
FCTR (Foreign currency translation reserve)	(1,544)	1,544	(30,406)	30,406
2009				
Income statement	(2,514)	2,514	16,167	(16,167)
FCTR (Foreign currency translation reserve)	(2,451)	2,451	(33,399)	33,399

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

38. FINANCIAL RISK MANAGEMENT CONTINUED

(iii) Electricity and Renewable Energy Certificate (REC) price risks

The Group has wind farm operations in Australia, USA and Europe and sells electricity and RECs to utility companies in each of the regions it operates.

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

To mitigate the financial risks of electricity and REC prices falling, the Group has entered into power purchase agreements and fixed tariff agreements to fix the sale price of the electricity and RECs it produces.

In undertaking this strategy of fixing a percentage of its wind electricity and REC sales, the Group is willing to forgo a percentage of the potential economic benefit that would arise in an increasing electricity and REC price environment, to protect itself from downside risks of decreasing electricity and REC prices and secure 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 REC price, with all other variables held constant as at the reporting date, for its exposure to the electricity market on the sale of variable rate products.

A sensitivity of 10 percent has been selected as this is considered reasonable given the current level of electricity and REC prices and the volatility observed on an historic basis and market expectations for future movement.

Consolidated AUD $'000	**Electricity/ REC Price + 10%**	**Electricity/ REC Price – 10%**
2010		
Income statement	5,574	(5,574)
2009		
Income statement	5,383	(5,383)

(b) Credit risk

Credit risk refers to the risk that the 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 exposure is continuously monitored and the aggregate value of transactions are spread amongst 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 sells electricity to large utility companies that operate in the regions it has wind farms. The utility companies are situated in Australia, Germany and in many different states of USA. No one utility company 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.

38. FINANCIAL RISK MANAGEMENT CONTINUED

Consolidated	Within credit terms $'000	Past due but not impaired $'000	Impaired $'000	Description
2010				
Bank deposits	229,950	–	–	Minimum credit rating – 'A' grade (S&P)
Trade receivables	30,392	2,033	–	Spread geographically with large utility companies
Other Current Receivables	4,128	–	–	Loan to (joint venture) partner plus miscellaneous receivables
Amounts due from related parties (associates)	1,499	–	–	Loan to associate
GST, VAT and other tax receivables	8,274	–	–	National and regional governments
2009				
Bank deposits	409,334	–	–	Minimum credit rating – 'A' grade (S&P)
Interest receivable	27	–	–	Minimum credit rating – 'A' grade (S&P)
Derivative – Forward Foreign Exchange	8,822	–	–	Minimum credit rating – 'A' grade (S&P)
Trade receivables	35,275	229	–	Spread geographically with large utility companies
Other current receivables	2,356	–	–	Miscellaneous receivables
Amounts due from related parties	1,616	–	–	Receivables from joint venture partners
GST, VAT and other tax receivables	8,909	–	–	National and regional governments

(c) Liquidity risks

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

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

The tables include forecast contractual repayments under the Global Facility. From 1 July 2010 the 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.

For interest rate swaps, 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
2010				
Global Facility Debt	85,816	536,185	772,572	1,394,573
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	74,216	–	–	74,216
2009				
Global Facility Debt	77,806	636,133	902,129	1,616,068
Gross finance lease	6,039	23,627	27,942	57,608
Interest rate swap payable	53,491	68,057	22,434	143,982
Forward foreign exchange payable	60,189	38,071	–	98,260
Forward foreign exchange (receivable)	(62,744)	(39,765)	–	(102,509)
Current payables	83,910	–	–	83,910

38. FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value measurements

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

As of 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 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Interest rate swaps	–	157,857	–	157,857
Total liabilities	**–**	**157,857**	**–**	**157,857**

Capital Risk Management

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

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

The capital structure of the Group consists of total corporate facilities as listed in Note 19, and equity, comprising issued capital, reserves and retained earnings as listed in Notes 23, 24 and 25.

The Board of Directors review the capital structure, and as part of this review, consider the cost of capital and the risks and rewards associated with each class of capital.

Through 30 June 2010, the Group has had to maintain the following ratios in regard to compliance with its banking facility:

— Leverage Ratio – Debt / EBITDA

— Cash Flow Cover Ratio – EBITDA / Scheduled interest and principal repayments.

During the year these ratios have been met.

Subsequent to 30 June 2010, only the leverage ratio is relevant.

39. INTERESTS IN JOINT VENTURES

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

Institutional equity partnership	Related wind farms	Class B Interest held by Infigen (30 June 2009 and 2010)
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:

	2010 $'000	2009 $'000
Share of institutional equity partnerships' assets and liabilities		
Current assets	16,523	18,517
Non-current assets	571,549	638,802
Total assets	**588,072**	**657,319**
Current liabilities	6,292	11,027
Non-current liabilities	446,120	481,445
Total liabilities	**452,412**	**492,472**
Net assets	**135,660**	**164,847**
Share of institutional equity partnerships' revenues and expenses		
Revenues	71,333	96,535
Expenses	(59,017)	(97,823)
Profit/ (loss) before tax	**12,316**	**(1,288)**
Share of institutional equity partnerships' commitments and contingent liabilities		
The following information is included within the information contained in Notes 29 and 30.		
Commitments	31,902	43,535
Contingent liabilities	1,090	2,812

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

40. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2010 $'000	2009 $'000
Current assets	**777,756**	**279,090**
Total assets	**866,982**	**1,072,117**
Current liabilities	**881,474**	**1,124,257**
Total liabilities	**884,381**	**1,129,170**
Shareholders' equity		
Issued capital	2,305	4,496
Reserves		
Hedging reserve	–	2,266
Retained earnings	(19,704)	(63,815)
	(17,399)	**(57,053)**
Profit or loss for the year	**44,111**	**(35,365)**
Total comprehensive income	**41,845**	**(39,018)**

(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

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

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

As at 30 June 2010, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (30 June 2009 – $nil).

DIRECTORS' DECLARATION

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

(a) the financial statements and notes set out on pages 56–117 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 2010 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

Miles George
Director

Sydney, 30 August 2010

INDEPENDENT AUDITORS REPORT

PRICEWATERHOUSECOOPERS

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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 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for 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*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

INDEPENDENT AUDITORS REPORT

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Infigen Energy Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their 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 consolidated 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 7 to 18 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

A J Wilson
Partner

Darren Ross
Partner

Sydney
30 August 2010

ADDITIONAL INVESTOR INFORMATION

PERFORMANCE RIGHTS AND OPTIONS PLAN (PR&O): FY10 OPERATIONAL PERFORMANCE TARGET

As outlined in the Directors' Report on pages 38–53, the vesting of the FY09 Tranche 2 performance rights and Tranche 2 options and the vesting of the FY10 Tranche 2 performance rights that have been awarded to senior executives, is subject to an Operational Performance condition. The Operational Performance condition is established annually by the Board. At the completion of the three year performance period, the Operational Performance conditions which have been set will provide a cumulative hurdle which must be achieved in order for the Operational Performance condition to be satisfied.

The Operational Performance condition will test the ratio of EBITDA to Capital Base, with the annual target being 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 Infigen's economic interest in all investments.

As illustrated in the table below, the FY10 annual target required an increase in the ratio of EBITDA to Capital Base of 19.22 percent. The increase in the ratio achieved over the period was 9.24%, resulting in an absolute shortfall for FY10 of 9.98 percent. This FY10 shortfall is relevant to the FY10 awards to which reference is made in the Directors' Report on page 47 and the aggregate shortfall over FY09 and FY10 of 16.26 percent (FY09: shortfall of 6.28%; FY10: shortfall of 9.98%) is relevant to the FY09 awards to which reference is made in the Directors' report on page 47. As the Operational Performance condition is a cumulative hurdle, the aggregate shortfalls of 16.26 percent relating to the FY09 awards and 9.98 percent relating to the FY10 awards will be carried forward to FY11.

The FY09 figures provided below are inclusive of the results of the French operations. These operations were sold during FY10 and hence the FY10 figures provided below exclude the FY10 results of the French operations.

Operational Performance Measure		**FY09**	**FY10**
EBITDA/Capital Base	%	8.26	9.02
Movement in ratio	%		9.24
Target	%		19.22
Achieved vs Target	%		(9.98)
Calculation inputs			
EBITDA	**AUD '000**	**167,957**	**172,778**
Net Debt	AUD '000	1,161,533	1,195,308
Equity	AUD '000	872,016	719,685
Capital Base	**AUD '000**	**2,033,549**	**1,914,993**

The below table provides an explanation of how the inputs to the above calculations have been derived.

AUD '000	**FY09 Pre–Restatements[1]**	**Adj for Economic Interest & non-recurring items[2] & Adj for Movement in Equity[3]**	**FY09 Adjusted**	**FY09 Adjusted & Translated at at FY10 exchange rates[4]**	**FY10 Reported**	**Adj. for Economic Interest[5]**	**FY10**
Revenue	336,959	(21,114)	315,845		314,342	(18,710)	295,632
Expenses	(117,886)	1,118	(116,768)		(127,531)	4,677	(122,854)
EBITDA	**219,073**	**(19,996)**	**199,077**	**167,957**	**186,811**	**(14,033)**	**172,778**
Borrowings	1,648,339	-	1,648,339	1,549,923	1,422,640	-	1,422,640
Cash Balance	(409,334)	4,802	(404,532)	(388,390)	(299,950)	2,618	(227,332)
Net Debt	**1,239,005**	**4,802**	**1,243,807**	**1,161,533**	**1,192,690**	**2,618**	**1,195,308**
Retained Earnings	199,088	-	199,088		125,325	-	125,325
Contributed Equity	862,113	-	862,113		783,545	-	783,545
Reserves	(148,828)	(40,357)	(189,185)		(189,185)	-	(189,185)
Equity	**912,373**	**(40,357)**	**872,016**	**872,016**	**719,685**	**-**	**719,685**
Capital Base				**2,033,549**			**1,914,993**

[1] See Note 1a of FY10 Annual Financial Report. Expenses includes Operating Expenses and Corporate Costs

[2] Relates to economic interest in German wind farms and to US Minority Interest – see slides 36 & 37 of FY09 Results Presentation; and to Base Fees – see Note 4 of FY09 Annual Financial Report

[3] FY09 Reserves have been adjusted to reflect the FY10 Reserves figure in order to mitigate inconsistencies in the Capital Base relating to movements in foreign exchange and interest rates from FY09 to FY10

[4] Translated at the following rates:

		FY09	FY10
AUD/EUR:	EBITDA	0.53	0.63
	Net Debt	0.58	0.70
AUD/USD:	EBITDA	0.72	0.87
	Net Debt	0.81	0.85

[5] Relates to US Minority Interest – see slides 21, 22 & 25 of FY10 Results Presentation.

IMPORTANT ASPECTS OF THE US ASSETS

LLC Project Agreements – Change of Control Provisions

The limited liability company agreements (each a Project LLC Agreement) of the various Project LLCs for the US Assets provide for two levels of membership interests: Class A and Class B. The Class B Members serve as the managing members of the company.

The managing members have control over and manage the affairs of the Project LLC, but the consent of the Class A Members is required for certain material actions to be taken by the Project LLC (such as the incurrence of debt, sale of material assets, mergers, acquisitions, sale of the Project LLC or other similar actions). Transfers of membership interests are permitted subject to (a) a right of first bid procedure for the benefit of non-transferring members, (b) a prohibition against transfers to certain disqualified transferees (such as competitors of the Project LLC), (c) prior to the Reallocation Date, transfers of Class B interests require consent of a designated super-majority of the Class A interests, and (d) Class A interests may be transferred after ten years if the Reallocation Date has not been reached and distributions have failed to exceed the sum of the Class B Members' capital contributions.

A change of control in a member of a Project LLC must comply with the foregoing transfer restrictions, except that an event causing a change of control of a member's ultimate parent company does not constitute a change of control. The relevant Project LLC Agreements provide that a change purported to be made in breach of these provisions is void and that specific performance in respect of those clauses can be sought. In addition, breach of these provisions may give rise to a claim of damages.

BACK TO BACK GUARANTEES REGARDING COVENANTS IN THE PROJECT LLC AGREEMENTS

In addition, each of IEL and, in certain instances, Infigen Energy RE Limited (IERL) in its capacity as Responsible Entity of IET (together, the Guarantors) have entered into guarantees (the Back-to-Back Guarantees) in favour of Babcock & Brown International Pty Ltd and/or Babcock & Brown LP (the Beneficiaries).

The Back-to-Back Guarantees support downstream guarantees which have been given by the Beneficiaries to support the obligations of the Investment LLCs which are Class B Members of Project LLCs (that own and operate wind farm projects in the United States) in favour of the Class A Members of those Project LLCs.

BERMUDA LAW ISSUES

Incorporation: Infigen Energy (Bermuda) Limited (IEBL) is incorporated in Bermuda.

Takeovers: Unlike IEL and IET, IEBL is not subject to the sections in Chapter 6 of the Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers). Bermuda company law does not have a takeover code which effectively means that a takeover of IEBL will be regulated under Australian takeover law. However, Section 103 of the Bermuda Companies Act provides that where an offer is made for shares of a company and, within four months of the offer the holders of not less than 90 percent of the shares which are the subject of such offer accept, the offeror may by notice require the non-tendering shareholders to transfer their shares on the terms of the offer. Dissenting shareholders may apply to the court within one month of the notice, objecting to the transfer. The test is one of fairness to the body of the shareholders and not to individuals, and the burden is on the dissentient shareholder to prove unfairness, not merely that the scheme is open to criticism.

STAPLED SECURITIES

Each Stapled Security is made up of one IEL share, one IET unit and one IEBL share which, under each of the Constitutions and Bye-Laws respectively, are stapled together and cannot be traded or dealt with separately. In accordance with its requirements in respect of listed stapled securities, ASX reserves the right to remove any or all of IEL, IEBL and IET from the Official List if, while the stapling arrangements apply, the securities in one of these entities ceases to be stapled to the securities in the other entities or one of these entities issues securities which are not then stapled to the relevant securities in the other entities.

FURTHER INVESTOR INFORMATION

Further information required by the Australian Securities Exchange and not shown elsewhere in this Report is as detailed below.
The information is current as at 21 September 2010.

ADDITIONAL INVESTOR INFORMATION

NUMBER OF STAPLED SECURITIES AND HOLDERS

One share in each of IEL and IEBL, and one unit in IET, have been stapled together to form a single IFN stapled security. The total number of IFN stapled securities on issue as at 21 September 2010 is 761,222,569 and the number of holders of these stapled securities is 27,669.

SUBSTANTIAL SECURITYHOLDERS

The names of substantial IFN securityholders who have notified IFN in accordance with section 671B of the Corporations Act 2001 are set out below.

	IFN Stapled Securities		
Substantial IFN Securityholder	**Date of Notice**	**Number**	**%**
The Children's Investment Fund Management (UK) LLP	15 September 2010	168,565,525	22.17
Kairos Fund Limited	5 November 2009	56,000,000	6.98
Leo Fund Managers Ltd	28 May 2010	40,045,240	5.07

VOTING RIGHTS

It is generally expected that General Meetings of shareholders of IEL, shareholders of IEBL, and unitholders of IET will be held concurrently where proposed resolutions relate to all three IFN entities. At these General Meetings of IEL, IEBL and IET the voting rights outlined below will apply.

Voting rights in relation to General Meetings of IEL and IEBL:

— on a show of hands, each shareholder of IEL and IEBL who is present in person and each other person who is present as a proxy, attorney or duly appointed corporate representative of a shareholder has one vote; and

— on a poll, each shareholder of IEL and IEBL who is present in person has one vote for each share they hold. Also each person present as a proxy, attorney or duly appointed corporate representative of a shareholder, has one vote for each share held by the shareholder that the person represents.

Voting rights in relation to General Meetings of IET:

— on a show of hands, each unitholder who is present in person and each other person who is present as a proxy, attorney or duly appointed corporate representative of a unitholder has one vote; and

— on a poll, each unitholder who is present in person has one vote for each one dollar of the value of the units in IET held by the unitholder. Also, each person present as proxy, attorney or duly appointed corporate representative of a unitholder has one vote for each one dollar of the value of the units in IET held by the unitholder that the person represents.

ON-MARKET SECURITY BUY-BACK PROGRAMS DURING FY10

From 1 July 2009 to 16 July 2009, a total of 5,716,339 IFN securities were acquired as part of the on market security buy-back program which had been approved by IFN securityholders at the Annual General Meeting held on 26 November 2008.

On 5 May 2010, the IFN Boards agreed to implement a further on-market security buy-back program. IFN securities were acquired under this buy-back program from 20 May 2010 to 30 June 2010, with a total of 42,086,157 securities acquired at an average price of approximately 84.7 cents per security.

STAPLED SECURITIES THAT ARE RESTRICTED OR SUBJECT TO VOLUNTARY ESCROW

There are currently no IFN stapled securities which are restricted or subject to voluntary escrow.

USE OF CASH

Throughout the 2010 financial year, IFN used the cash (and assets in a form readily convertible to cash) that it held at 28 October 2005 (the date IFN listed on the Australian Securities Exchange) in a way consistent with its business objectives, as outlined in the financial statements and notes.

ADDITIONAL INVESTOR INFORMATION

DISTRIBUTION OF IFN STAPLED SECURITIES

The distribution of IFN stapled securities amongst IFN securityholders as at 21 September 2010 is set out below.

Category	Securityholders	Securities
1 – 1,000	10,956	5,365,018
1,001 – 5,000	11,795	30,511,621
5,001 – 10,000	2,538	18,800,336
10,001 – 100,000	2,235	51,767,645
100,001 – and over	145	654,777,949
Total	**27,669**	**761,222,569**

As at 21 September 2010, the number of securityholders holding less than a marketable parcel of IFN stapled securities was 8,036.

TWENTY LARGEST IFN SECURITYHOLDERS

The 20 largest IFN securityholders as at 21 September 2010 are set out below.

Rank	IFN Securityholder	IFN Stapled Securities Held Number	Percentage
1	HSBC Custody Nominees (Australia) Limited	263,903,162	34.67%
2	National Nominees Limited	82,505,211	10.84%
3	HSBC Custody Nominees (Australia) Limited – A/C 3	58,053,937	7.63%
4	J P Morgan Nominees Australia Limited	52,342,475	6.88%
5	HSBC Custody Nominees (Australia) Limited – GSI ECSA	50,017,530	6.57%
6	Citicorp Nominees Pty Limited	29,924,811	3.93%
7	Credit Suisse Securities (Europe) Ltd	14,120,000	1.85%
8	HSBC Custody Nominees (Australia) Limited – A/C 2	12,193,033	1.60%
9	ANZ Nominees Limited	10,377,703	1.36%
10	Cogent Nominees Pty Limited	6,800,626	0.89%
11	Brispot Nominees Pty Ltd	6,322,228	0.83%
12	AMP Life Limited	6,300,440	0.83%
13	UBS Wealth Management Australia Nominees Pty Ltd	5,770,674	0.76%
14	JP Morgan Nominees Australia Limited	3,645,869	0.48%
15	Queensland Investment Corporation	2,399,093	0.32%
16	Cogent Nominees Pty Limited	1,964,670	0.26%
17	RBC Dexia Investor Services Australia Nominees Pty Limited	1,890,227	0.25%
18	ANZ Nominees Limited	1,618,966	0.21%
19	Mr Christopher Lucas	1,581,904	0.21%
20	RBC Dexia Investor Services Australia Nominees Pty Limited	1,405,205	0.18%
Total Top 20		**613,137,764**	**80.55%**
Balance of Register		**148,084,805**	**19.45%**
Grand Total of IFN Stapled Securities		**761,222,569**	**100.00%**

KEY ASX ANNOUNCEMENTS

The key announcements lodged with the Australian Securities Exchange and released to the market throughout FY10 are listed below. Dates shown are when announcements were made to the ASX.

2009 (July – December)	
1 July	Transition to independence completed
21 July	Completion of acquisition of Australian and NZ assets
11 August	Completion of Unmarketable Parcel Sale facility
17 August	Infigen to commence sale process for US business
17 August	Details of Australian development pipeline
27 August	Financial results for 12 months ended 30 June 2009
25 November	2009 Annual General Meeting and results
18 December	Distribution policy update

2010	
20 January	Infigen announces senior appointments
11 February	First half production and revenue report
25 February	Financial results for six months ended 31 December 2009
31 March	Infigen Energy secures direct access to retail energy market
6 April	Sale of French wind farms and update on asset sale process
27 April	IFN retains US business and confirms distribution policy
5 May	Appendix 3C – announcement of buy-back
12 May	IFN shortlisted for Solar Flagships Program
13 May	IFN to commence on-market buy-back
13 May	IFN receives development approval for Woodlawn
16 June	IFN business update and Open Briefing
21 June	Estimated FY10 final distribution
24 June	IFN welcomes amendments to renewable energy target
28 June	IFN to proceed with Woodlawn Wind Farm
6 July	IFN reports unaudited cash balance as at 30 June 2010
16 August	Full year production and revenue report
30 August	Financial results for 12 months ended 30 June 2010 and FY11 guidance

The above list does not include all announcements made to the ASX, such as Change in Substantial Shareholder Notices and cancellation of securities notices resulting from the on-market security buy-back program. A comprehensive list and full details of all publications can be found on the IFN website, www.infigenenergy.com, and the ASX website, www.asx.com.au.

GLOSSARY

ASX	Australian Securities Exchange
BBW	Babcock & Brown Wind Partners (former name of Infigen Energy and former code which Infigen Energy stapled securities traded under on the ASX)
B&B	Babcock & Brown group
CAPACITY	The maximum power that a wind turbine can safely produce
CAPACITY FACTOR	A measure of the productivity of a wind turbine, calculated by the amount of power that a wind turbine produces over a set time period, divided by the amount of power that would have been produced if the turbine had been running at full capacity during that same time interval
CCGT	Combined Cycle Gas Turbine
CCS	Carbon Capture and Storage
CLASS A MEMBERS	Holders of Class A interests in a Project LLC
CLASS A MEMBERSHIP INTERESTS	The interests held by Class A Members
CLASS B MEMBERS	Holders of Class B interests in a Project LLC
CLASS B MEMBERSHIP INTERESTS	The interests held by Class B Members
CO2	Carbon Dioxide
DISTRIBUTIONS	Distributions made by IFN to securityholders in respect of their stapled securities
DRP	Distribution Reinvestment Plan
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EEG	German Act of 2004 granting priority to renewable energy resources
ETS	Emissions Trading Scheme
EURO or €	Euro, the currency of the European Monetary Union
FINANCIAL YEAR	A period of 12 months starting on 1 July and ending on 30 June in the next calendar year
GAMESA	Gamesa Energía SA, a company based in Spain
GHG	Greenhouse Gases
GRID	Also termed transmission system, the network of power lines and associated equipment required to deliver electricity from generators to consumers
GW	Gigawatt. Equivalent to one billion Watts of electricity
GWEC	Global Wind Energy Council
GWh	Gigawatt hour
HENRY HUB	Pricing point for natural gas futures contracts traded on the New York Mercantile Exchange
HIN	Holder Identification Number
IEA	International Energy Agency
IEBL	Infigen Energy (Bermuda) Limited (ARBN 116 360 715)
IEL	Infigen Energy Limited (ABN 39 105 051 616)
IERL	Infigen Energy RE Limited (ABN 61 113 813 997) (AFSL 290 710), the responsible entity of IET

GLOSSARY

IET	Infigen Energy Trust (ARSN 116 244 118)
IFN	The code which Infigen Energy stapled securities trade under on the ASX
INDEPENDENT AUDITOR	PricewaterhouseCoopers
INFIGEN / INFIGEN ENERGY	Group of entities comprising IEL, IEBL, IET and, where the context permits, includes their respective subsidiary entities
INSTALLED CAPACITY	The amount of capacity installed at a wind farm
IPP	Independent Power Producer
KW	Kilowatt. Equivalent to one thousand Watts of electricity
KWh	Kilowatt hour. A unit of energy of work equal to 1,000 Watt-hours
LARGE HYDRO	Hydropower generator with capacity of 10MW or greater
LONG TERM MEAN ENERGY PRODUCTION	The best estimate of energy production in a year where there is a 50 percent probability that a given level of energy production will be exceeded in any year. This may also be referred to as P50
MRET	Mandatory Renewable Energy Target established by the Australian Government in 2001
MW	Megawatt. Equivalent to 1,000 kilowatts or one million Watts
MWh	Megawatt hour
O&M	Operations and Maintenance
OEM	Original Equipment Manufacturer
P50	Refer Long Term Mean Energy Production
PPA	Power Purchase Agreement
PRACTICAL COMPLETION	The date on which construction has been completed in accordance with the respective delivery contract(s), typically including all regulatory requirements
PRE-COMMISSIONING	Operation of the wind farm prior to practical completion, during which all aspects are tested for performance against specified criteria
PROJECT LLC	Limited liability companies in the US which each hold a wind farm where Infigen has acquired indirect Class B Member interests
PROJECT LLC AGREEMENT	A limited liability company agreement between the members of a Project LLC
PTC	Production Tax Credit: a tax credit created by the US Energy Policy Act of 1992 that applies to wholesale electrical generators of wind energy facilities based upon the amount of energy generated in a year
REALLOCATION DATE	The date on which tax benefits and cash distributions are shared between the Class A Member and the Class B Members, being a date which occurs when the Class A Members' target return has been achieved, as further described in a Project LLC Agreement as the flip date
REC	Renewable Energy Certificate; an electronic form of currency established under the RET scheme equivalent to 1 MWh of electricity generated by a renewable energy source
RET	Renewable Energy Target; a scheme established by the Australian Government to encourage additional generation of electricity from renewable energy sources to meet the Government's commitment to achieving a 20 percent share of electricity generation in Australia from renewable energy sources by 2020

GLOSSARY

RPS	Renewables Portfolio Standard; a policy set by federal or state governments that a percentage of the electricity supplied by electricity generators be derived from a renewable energy source
SECURITYHOLDER	The registered holder of an IFN stapled security
SMALL HYDRO	Hydropower generator with capacity of less than 10MW
SOLAR CSP	Concentrating Solar Power
SOLAR PV	Solar Photovoltaic
STAPLED SECURITY	One unit in IET, one share in IEL and one share in IEBL, stapled together to form a stapled security that cannot be traded or dealt with separately
TARIFF	Rates paid for electricity per kilowatt hour consumed or generated
US03/04	Refers to a portfolio of US wind farms including Sweetwater 1 & 2, Caprock, Blue Canyon, Combine Hills with a total capacity of approximately 324MW. Infigen's Class B Member interest in the portfolio amounts to approximately 186.1MW
US05	Refers to a portfolio of US wind farms including Sweetwater 3, Kumeyaay, Bear Creek, Jersey Atlantic and Crescent Ridge with a total capacity of approximately 271MW. Infigen's Class B Member interest in the portfolio amounts to approximately 177MW
US06	Refers to a portfolio of US wind farms including Buena Vista, Aragonne Mesa, Mendota, Allegheny Ridge I and GSG with a total capacity of approximately 339.7MW. Infigen's Class B Member interest in the portfolio amounts to approximately 335.2MW
US07	Refers to a portfolio of US wind farms including Sweetwater 4 & 5 and Cedar Creek with a total capacity of approximately 621.8MW. Infigen's Class B Member interest in the portfolio amounts to approximately 370.6MW
VESTAS	Vestas Wind Systems A/S, a company incorporated in Denmark
VESTAS-AUSTRALIA	Vestas-Australian Wind Technology Pty Ltd, a subsidiary of Vestas
WATT	The base unit of power. A measure of the rate at which work is being done. (746 Watts = one horsepower)
WATTHOUR (Wh)	The electrical energy unit of measure equal to one Watt of power supplied to, or taken from, an electric circuit steadily for one hour
WIND RESOURCE	A reference to the quality of energy potentially available from the wind in a particular location
WTG	Wind turbine generator

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ANNUAL GENERAL MEETING
Infigen Energy's Annual General Meeting will be held at 11am in the Fort Macquarie Room of the InterContinental Sydney Hotel, 117 Macquarie Street, Sydney, Australia on 18 November 2010.

ABOUT INFIGEN AND THIS ANNUAL REPORT
Each stapled security in Infigen Energy comprises:

— One share of Infigen Energy Limited (ABN 39 105 051 616), an Australian public company;

— One unit of Infigen Energy Trust (ARSN 116 244 118), an Australian registered managed investment scheme whose responsible entity is Infigen Energy RE Limited (ABN 61 113 813 997)(AFSL 290 710); and

— One share of Infigen Energy (Bermuda) Limited (ARBN 116 360 715), a company incorporated in Bermuda and registered in Australia.

This Annual Report covers the activities and operations of Infigen Energy for the 12 month period to 30 June 2010.

All amounts expressed in dollars ($) in this Annual Report are Australian dollars, unless otherwise specified.

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