ASX RELEASE

Infigen Energy
Level 22, 56 Pitt Street Sydney NSW 2000 Australia
T +61 8031 9900 F +61 2 9247 6086
Infigen Energy Limited ABN 39 105 051 616
Infigen Energy Trust ARSN 116 244 118
Infigen Energy (Bermuda) Limited ARBN 116 360 715
www.infigenenergy.com

12 October 2012

INFIGEN ENERGY 2012 ANNUAL REPORT AND AGM NOTICE OF MEETING

Infigen Energy (ASX: IFN) advises that the attached 2012 Annual Report and the Notice of Meeting relating to the Annual General Meetings of Infigen Energy to be held on Thursday, 15 November 2012, are being despatched to securityholders today.

The 2012 Annual Report and AGM Notice of Meeting are also available at Infigen's website (www.infigenenergy.com).

ENDS

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

About Infigen Energy

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

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

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

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

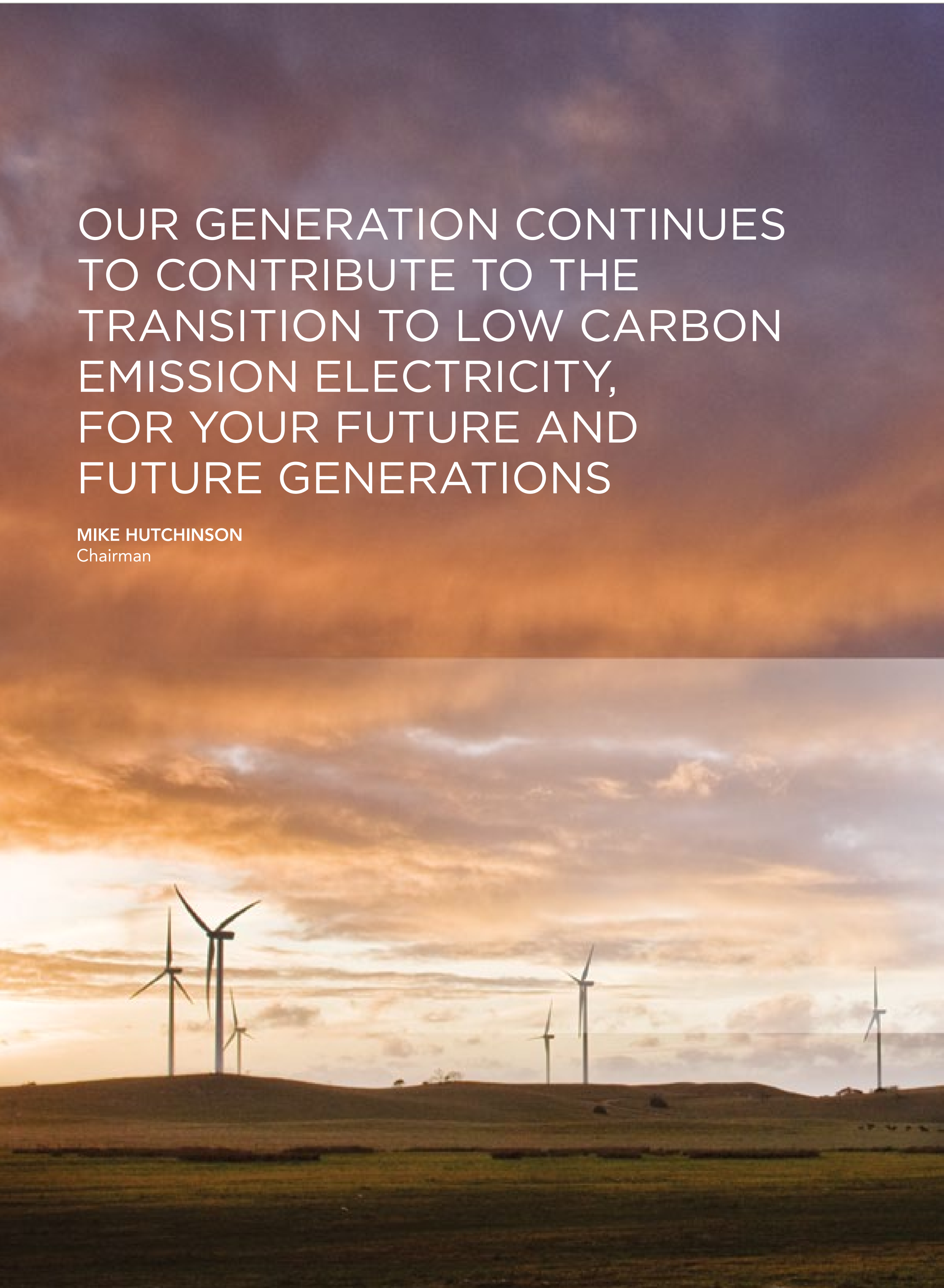
INFIGEN ENERGY
OUR GENERATION, YOUR FUTURE

Annual Report 2012

infigen

OUR GENERATION CONTINUES TO CONTRIBUTE TO THE TRANSITION TO LOW CARBON EMISSION ELECTRICITY, FOR YOUR FUTURE AND FUTURE GENERATIONS

MIKE HUTCHINSON
Chairman



INFIGEN ENERGY

We strive to be recognised as the leading provider of renewable energy.

We want to make a positive difference.
Our focus is on customer needs.
We pursue our objectives relentlessly.
We are guided by our values and a commitment to sustainability.

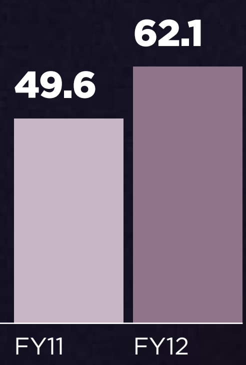
CONTENTS

HIGHLIGHTS

We have delivered strong net operating cash flow growth this year and achieved debt amortisation guidance through our ongoing focus on cash management and conversion

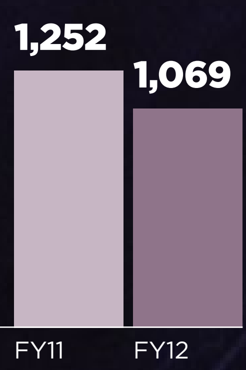
- Operating capacity increased by 3% to 1,643 MW
- Revenue steady at $266.6 million
- EBITDA decreased by 4% to $140.5 million
- Group debt decreased by $185.6 million or 15% to $1,078 million

25% INCREASE IN NET OPERATING CASH FLOW



NET OPERATING CASH FLOW ($ MILLION)

15% REDUCTION IN DEBT



DEBT ($ MILLION)

$267m TOTAL REVENUE

RENEWABLE ENERGY BUSINESS

Developer

- Site identification & landowner negotiations
- Wind monitoring, project feasibility & investment evaluation
- Community consultation, cultural heritage, environmental assessment & project planning
- Design, supplier negotiations & connection
- Site mobilisation & foundations
- Electrical works, wind turbine installation & commissioning

Owner

- Whole of life asset & investment management
- Managing sale of electricity & environmental products
- Risk management & revenue assurance
- Sustaining pipeline for growth & investment
- Ongoing stakeholder engagement
- Assessing acquisition & divestment opportunities

Operator

- Safety risk management – actively pursuing zero harm
- Optimising generation productivity through 24 x 7 Operations Control Centre
- Bidding & dispatching into electricity market
- Sustaining plant availability through reliability centred maintenance
- Managing operating risks & costs
- Exploring opportunities to refurbish or re-power

"Working as a Site Lead at Infigen has given me a great sense of accomplishment that I haven't found anywhere else. Plus, my office has the best view around!"

KYLE REX
Site Lead, GSG and Mendota wind farms

CHAIRMAN'S REPORT

Our generation continues to contribute to the transition to low carbon emission electricity, for your future and future generations

Dear Securityholders,

On behalf of the Boards it is my pleasure to present your 2012 annual report.

I am pleased to be able to report that your company delivered a strong net operating cash flow outcome during the 2012 financial year, up 25% despite less favourable wind conditions than the prior year. Our generation continues to contribute to the transition to low carbon emission electricity, for your future and future generations.

Board and Management Changes

During the year Ross Rolfe AO was appointed as an independent non-executive director. Ross has broad and extensive experience in the Australian energy and infrastructure sectors in executive management, government and strategic roles.

Doug Clemson, an independent non-executive director since 2005, retired in November 2011 at the Annual General Meeting. We thank Doug for his service and wish him well. Fiona Harris was appointed to the chair of the Board Audit, Risk and Compliance Committee, to succeed Mr Clemson.

Your Board remains strongly independent, with three independent non-executive directors (including me as the Chairman). The other members are your managing director, Miles George, and Philip Green, a UK-based non-executive director nominated by our largest long term substantial securityholder.

The executive management team has remained unchanged. Mr Stefan Wright, who had performed the role of acting General Counsel for Infigen for the last two years, took up the position on a permanent basis. Catherine Gunning, who had previously held the role of General Counsel, has returned on a part-time basis following maternity leave.

Business Performance

Infigen's steady operational performance this year was underpinned by effective cash management in a year of less favourable wind conditions. This resulted in the reported net operating cash flow outcome. We also delivered production, revenue and debt amortisation in line with our guidance and slightly ahead of market expectations.

Our Global Facility debt amortisation guidance of $250 million across the 2011 and 2012 financial years was achieved, with Infigen's semi-annual repayment in the second half of the year taking total Global Facility debt repayment to $252 million. This debt reduction resulted in net debt of the Global Facility Borrower Group being $997 million at the end of the financial year. As the Global Facility remains in cash sweep, our focus will be on sustaining surplus operating cash flow to maximise debt repayment.

Revenue of $267 million was in line with the prior year. In both the US and Australia this was within the guidance range provided. Operating earnings before interest, tax, depreciation and amortisation decreased 6% to $157 million as the business incurred expected higher post-warranty operating costs. Active management saw these increases contained within the post-warranty guidance range in the US, and below the post-warranty guidance range in Australia.

$62m

NET OPERATING CASH FLOW – UP 25%

Effective management of post-warranty operating costs is important to generating stable earnings. Infigen executed post-warranty service and maintenance agreements with Mitsubishi in the US and Vestas in Australia. These agreements cover 39% and 66% of the operating assets in the US and Australia respectively, and will enable Infigen to forecast costs with a higher degree of certainty in the medium term.

The statutory net loss of $55.9 million was disappointing. However, this included significant non-cash items of approximately $34 million.

During the year we completed the 48.3 MW Woodlawn wind farm, located near our 140.7 MW Capital wind farm, outside Bungendore in New

South Wales. The wind farm was completed on time and on budget, with no lost time injuries. In its first partial financial year of operation, the wind farm contributed 118 GWh to production and $7.9 million to revenue. The prudent advancement of the development pipeline, including committed community engagement and support, continued, balancing the maintenance of cash reserves with retaining the option value of the project portfolio.

As foreshadowed at the 2011 Annual General Meeting, we commenced modest development activities in the US. On 29 February we entered into a Joint Development Agreement with Pioneer Green Energy to develop a portfolio of solar energy projects located in California, Arizona and Texas. Along with ongoing efforts to improve operating practices, these opportunities will contribute to sustaining the value of the US business.

In Australia, development approvals were received for up to 41 wind turbines at the proposed Capital 2 wind farm, and for up to 124 wind turbines at the proposed Woakwine wind farm from the relevant planning authorities. Any commitment to construction awaits the right investment conditions. In addition, the Board approved the development of a solar photovoltaic (PV) and energy storage demonstration facility near our Capital wind farm in New South Wales.

Infigen moves into the 2013 financial year with $126 million of cash, of which $97 million was held by the group of companies excluded from Infigen's Global Facility. This capital provides a prudent liquidity buffer and a source of some cash to fund opportunities that meet our stringent investment criteria.

Outlook

Your Board remains conscious that Infigen still carries a heavy debt burden, and that this is inhibiting the capacity to pay distributions to securityholders and to make additional major investments. We have, nonetheless, continued to comply fully with all the obligations associated with the debt, including the Global Facility leverage ratio covenant. This is despite weak wind conditions and depressed energy prices. We remain confident that we will sustain this compliance throughout the remaining life of the debt facility.

We have limited capital available for growth and will take a cautious approach to any capital expenditure. When investment conditions improve, we consider that our development pipeline will be attractive and that we will be able to invest in the best of our opportunities to achieve modest growth.

We have commenced the development of our 200 kW solar PV array and energy storage demonstration facility outside Bungendore in New South Wales. This facility will be the first of its kind in Australia, and the first solar farm to be registered in the National Electricity Market. Infigen will use it to trial construction techniques, storage technology, and the combined dispatch of the electricity from the array and the energy storage system, to enhance economic return. The lessons learnt from this demonstration plant will be applied to the design of future utility-scale PV plants and the integration of future large-scale energy storage into the National Electricity Market.

We welcome the introduction of a price on carbon in Australia as a complementary measure to the Large-scale Renewable Energy Target (LRET). Both mechanisms continue to be required to facilitate sufficient renewable energy investment over the long term and provide the security of a clean energy supply for Australia. We await the outcome of the current review of the operation of the LRET scheme. We have noted with concern moves by some Governments and local authorities to inhibit responsible wind farm development on unproven and often spurious grounds. We look to Governments to avoid the shallow unfounded populism associated with aspects of our industry and to deliver regulatory certainty that is necessary to underpin investment.

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

Finally, I would like to thank securityholders for your continued support.

Your Directors look forward to welcoming you to our Annual General Meeting to be held at 11am on 15 November 2012 at the Radisson Blu Plaza Hotel Sydney, 27 O'Connell St, Sydney.

Yours sincerely,

Mike Hutchinson
Chairman

MANAGING DIRECTOR'S REPORT

Our generation that is powered by nature, not harming it, secures clean energy for your future

Dear Securityholders,

During the 2012 financial year your management team's focus remained on improving Infigen's operational performance and addressing its strategic issues. Our full year operational performance was in line with guidance and slightly ahead of market expectation. I am also happy to say that we are now operating more safely with a significant improvement in our lost time injury frequency rate. We continue to strive for our goal of zero harm.

In Australia, we continue to be the largest owner-operator of wind farms. We also maintain a strong position in the US, controlling the fifth largest wind energy business that operates independently of an integrated utility in that country.

Key Milestones

In October 2011, Infigen completed its 48.3 MW Woodlawn wind farm located in the Capital Renewable Energy Precinct near Bungendore in New South Wales, taking our operating capacity in Australia to 557 MW. The project was completed on time and on budget, with no lost time injuries. During the financial year it contributed 118 GWh to production, $7.9 million to revenue and $6.1 million to EBITDA.

In November 2011, Infigen received development approval for the proposed Capital 2 wind farm. The proposed project will consist of up to 41 wind turbines and has the potential to form a significant addition to Infigen's existing Capital Renewable Energy Precinct that currently comprises the operating Capital and Woodlawn wind farms. In the same precinct, development approval for the proposed Capital solar farm was received in December 2010, while the smaller Capital East solar PV and energy storage demonstration facility received development approval in July 2012.

In February 2012, Infigen entered into an agreement to jointly develop a portfolio of solar energy projects with US wind and solar developer Pioneer Green Energy. The agreement provides for the further development of approximately 300 MW of solar energy projects ranging in size from 20 MW to 100 MW. During the year Infigen also established a US development platform with an experienced team to pursue these and other greenfield opportunities.

In June 2012, Infigen received development approval for the proposed Woakwine wind farm in south east South Australia. The proposed project continues northward along the same ridgeline as Infigen's three operating wind farms at Lake Bonney.

During the year, Infigen executed post-warranty agreements for 66% of its Australian fleet with Vestas, whereby Vestas will provide turbine maintenance services and replacement components for the turbines until 31 December 2017. Extended warranty agreements covering 39% of Infigen's operating assets in the US were also executed with Mitsubishi. Under these agreements, Mitsubishi will provide extended warranties, turbine maintenance services and replacement components for the turbines until 30 March 2017.

These agreements support one of Infigen's initiatives to tightly manage post-warranty wind farm costs and reduce the volatility in those costs.

On 15 June this year we celebrated Global Wind Day in Australia by opening our Woodlawn wind farm for public tours, following a similar event at our Capital wind farm last year. We had over 350 visitors pass through the site and hear Infigen employees explain the workings of a modern wind farm. The day was very successful and many visitors contacted us after the event to express their thanks. We hope to continue effective stakeholder engagement with similar events in the future, as part of our commitment to fostering a positive relationship with the communities that we are part of.

Operational and Financial Review

Infigen remains focussed on fostering a culture where safety is our first priority and a core value. A number of new initiatives and the strengthening of existing programs have lowered the total recordable incident rate by 25% and 24% in the US and Australia respectively. Our lost time injury frequency rate safety performance also improved from 3.4 to 1.0 over the year.

Total production while within guidance decreased 3% to 4,538 GWh. In the US, production decreased

AS EMITTERS PAY FOR CARBON EMISSIONS THAT ADEQUATELY REFLECT THE TRUE COST TO THE ECONOMY, RENEWABLE ENERGY WILL MOVE TO COMPETE DIRECTLY WITH MORE TRADITIONAL SOURCES OF ELECTRICITY

6% to 3,136 GWh reflecting less favourable wind conditions than the prior year. In Australia, production increased 5% to 1,402 GWh reflecting the contribution from Woodlawn wind farm, partially offset by less favourable wind conditions in some states.

Revenue for the US and Australia was within guidance ranges and total revenue of $266.6 million was in line with the prior year. Revenue in Australia increased 7% to $125.8 million primarily due to the contribution from Woodlawn wind farm and higher average prices, partially offset by lower production from some wind farms. Revenue in the US decreased 6% predominantly due to lower production, lower merchant electricity prices, and an appreciation of the Australian Dollar against the US Dollar.

Operating costs increased 9% to $109.2 million reflecting new capacity additions and increased post-warranty operating costs, but remain within our forecast ranges. In local currency, total operating costs increased 11% in both the US and Australia. Our objective is to lead best industry practice in post-warranty operating cost management and we are continuing to implement improved operating practices to achieve this.

Corporate, development and other costs together were 22% lower than the prior year, including write-backs of employee related costs and provisions.

As a result of the factors described above EBITDA of $140.5 million was 4% lower than the prior year.

The net loss of $55.9 million was an 8% improvement on the prior year and included non-cash items of approximately $34 million. These included an expense for the US Institutional Equity Partnerships and the revaluation of non-hedge accounted interest rate swaps. Lower interest income and a lower tax benefit also affected the result.

A strong net operating cash flow outcome was achieved, up 25% to $62.1 million due to corporate cost reductions, diligent working capital management and lower financing costs.

Infigen repaid Global Facility borrowings of $252 million across the 2011 and 2012 financial years, which was slightly ahead of guidance.

Global Facility debt repayments were partially offset by increased borrowings for Woodlawn and adverse foreign exchange movements. Net debt for the year decreased from $949 million at 30 June 2011 to $943 million at 30 June 2012.

The Global Facility has no scheduled principal repayments or refinancing requirement, and continues until December 2022. Infigen continues to believe that under reasonable operating and market assumptions it will meet its leverage ratio covenant for the duration of the facility term. If adverse business conditions were to place unexpected pressure on future covenant compliance, Infigen is confident that it has available a range of mitigants and remedies sufficient to avoid or cure any potential failure to satisfy its leverage ratio covenant test in conformity with the terms of the facility.

$126m

CASH BALANCE AT 30 JUNE 2012

Infigen moves into the 2013 financial year with $126 million of cash, of which $97 million was held by the group of companies excluded from Infigen's Global Facility. This capital provides a substantial liquidity buffer, and a source of limited funding for the best of our development opportunities.

Outlook

In the US, the Federal production tax credit (PTC) scheme has helped wind energy to become cost-competitive with fossil-fuel generation. By 2012, over 46,000 MW of wind capacity had been installed in the US, of which 35% was added over the past 5 years – more than nuclear and coal combined. US Congress action to extend the PTC scheme, which will otherwise expire on 31 December 2012, is still pending.

In Australia, regulatory challenges include recent changes to wind farm planning guidelines in Victoria, and the proposed changes to wind farm planning guidelines in New South Wales. Both cases result in onerous planning consent conditions and higher development costs. The genesis of the changes appears to be the lobbying of a small but noisy minority, who continue to make unfounded emotional accusations against the wind energy industry.

Of particular concern is the accusation of wind farms causing adverse health effects. This may be a driver of various set-back and gateway provisions in planning system changes. It is noteworthy that since the introduction of new wind farm planning guidelines, the minority voices of opposition have not quelled. The wind industry is not asking for special consideration, but simply a fair and equitable planning treatment with comparable infrastructure.

OUR DEVELOPMENT PIPELINE REMAINS A KEY STRATEGIC ASSET FOR PRESERVATION AND WE ARE PROGRESSING SELECTED PROJECTS IN ANTICIPATION OF IMPROVED MARKET CONDITIONS

Our generation that is powered by nature, not harming it, secures clean energy for your future.

The introduction of a carbon price in Australia from 1 July 2012 helps support the case for renewable investment. In the longer term, as emitters eventually pay prices for carbon emissions that adequately reflect the true cost to the economy, renewable energy will move to compete directly with more traditional sources of electricity. The price of Large-scale Generation Certificates will fall and the regulatory risk associated with the Large-scale Renewable Energy Target (LRET) will reduce, potentially enhancing the availability and terms of financing.

In order to deliver the annual LRET targets at least cost the renewable energy industry needs to be able to plan for future demand. The industry would support measures to strengthen the LRET so that it works as intended before the large surplus came into being – stimulating real utility-scale investments and jobs in regional areas.

Large-scale solar PV has made rapid advances in the last few years with costs falling from over \$4/watt in 2008 to less than \$1/watt in 2012. Solar PV has made a significant step towards becoming a meaningful contributor to the LRET. Small-scale solar PV is becoming competitive with retail prices in many regions, and we expect in the coming three to four years, large-scale solar PV will be competitive with wind in certain distributed applications, where transmission and distribution costs can be avoided or reduced.

There are a number of factors that are expected to lead to upward pressure on wholesale electricity prices in the medium to long term. These include reduced investment in new electricity generation capacity and continuing retirement of ageing coal-fired power stations in the US, and liquefied natural gas (LNG) projects coming on line in Australia. The prospects for LNG export opportunities are expected to lift domestic gas prices towards much higher export parity prices.

Infigen begins the 2013 financial year with ongoing focus on continuous improvement in operational performance, building on the solid operating cash flow performance in the 2012 financial year.

Production in the US and Australia is expected to improve on the 2012 financial year outcome. Our US assets remain highly contracted and unlikely to experience any material deterioration in revenues as a result of continued low wholesale electricity prices. Our Australian merchant assets will benefit from the introduction of a price on carbon that has increased wholesale electricity prices since the commencement of the 2013 financial year.

Wind farm costs are forecast to be within our previously guided ranges, with the US and Australian businesses benefitting from reduced exposure to component failure risk and volatility in costs following the post-warranty agreements executed in the 2012 financial year.

Subject to these operating conditions prevailing, the amount of surplus cash flow from operations available to amortise debt under the Global Facility during the 2013 financial year is expected to be approximately \$55 million.

Our priorities for the year include improving site availability and a continued focus on operational cost containment.

Our development pipeline remains a key strategic asset for preservation and we are progressing selected projects in anticipation of improved market conditions beyond the 2013 financial year.

I would like to thank all Infigen staff for their contributions to the business during the year.

I would also like to thank all the members of the communities that we are part of for their continuing strong support. We aim to share the economic benefits of our industry with local communities by sourcing products and services locally, and providing direct employment locally where possible.

Finally, I would like to thank securityholders for your ongoing support. I look forward to meeting with you at the AGM and reporting further on the performance of the business at that time.

Yours sincerely,

Miles George
Managing Director

SALLY MCMENAMIN
Associate Engineer

I hold the title of Associate Engineer in the Performance Engineering group and am responsible for helping to optimize turbine performance and maximize production. I graduated from the University of Texas in Austin with a Bachelor of Science in Mechanical Engineering in December 2011 and consider myself an engineer-in-training as I work towards my professional engineering license from the state of Texas. I will also begin working on a Master of Science in Mechanical Engineering from Georgia Institute of Technology this fall.

I love working in wind energy because I know I am using my engineering skills to help create a better world for future generations.

UNITED STATES

Our strategy is simple: To be great operators creating a brighter future

Infigen is a leading provider of clean, renewable energy in the United States. Our team of 150 staff members is dedicated to the business of providing clean renewable energy in each of the markets we serve. This year, we generated 3,136 GWh of electricity from our wind farms, enough to power 275,000 US homes.

The Infigen fleet includes 18 wind farms located in nine states, and represents a market presence in the Northeast, Midwest, South, West and Pacific Northwest. We are also investigating and developing new projects across five states.

18 WIND FARMS

1,089 INSTALLED CAPACITY (MW)

Challenges in Our Market

The unprecedented expansion of renewable capacity over the past five years was fueled by a consistent policy of incentives by federal and state governments. The wind industry has grown significantly during this period with total wind installations exceeding 50 GW, and supports more than 75,000 jobs and a growing manufacturing and services industry.

CREATING A BRIGHTER FUTURE FOR THE UNITED STATES

Recently, the growth rate of solar capacity installation has started to exceed that of wind. There is potential for robust future growth due to continued federal incentives and further reductions in panel costs. State level commitments to renewable generation growth remain in place, but the expected loss of federal incentives for new wind capacity would have a dramatic effect on the near-term growth of wind capacity across the US.

US energy markets have also been influenced by a surge in domestic natural gas supply. In the last five years, expansion in extraction capacity from new drilling techniques has enabled access to copious reservoirs of supply for natural gas production. The glut of natural gas has reduced wholesale electricity prices to levels last seen in the late 1990s. While this outcome can benefit consumers, it provides a weak market signal for developers to build new generation.

New regulatory requirements encourage ongoing retirement of coal fired generation. This may become a critical issue for grid reliability as the capacity reduction is not being met with sufficient investment in either gas fired base load or peaking generation.

Finally, following the deep recession that ended in 2009, commercial and industrial customer demand for electricity has remained subdued. Electricity sales for these large consumers remain at or below pre-2009 levels due to a lack of confidence in domestic and foreign economies.

Lower demand and the influence of natural gas prices, has affected planning for new transmission or upgrades to existing lines. Delays in such investments will add to the challenge of meeting future grid reliability and integrating additional renewable generation.

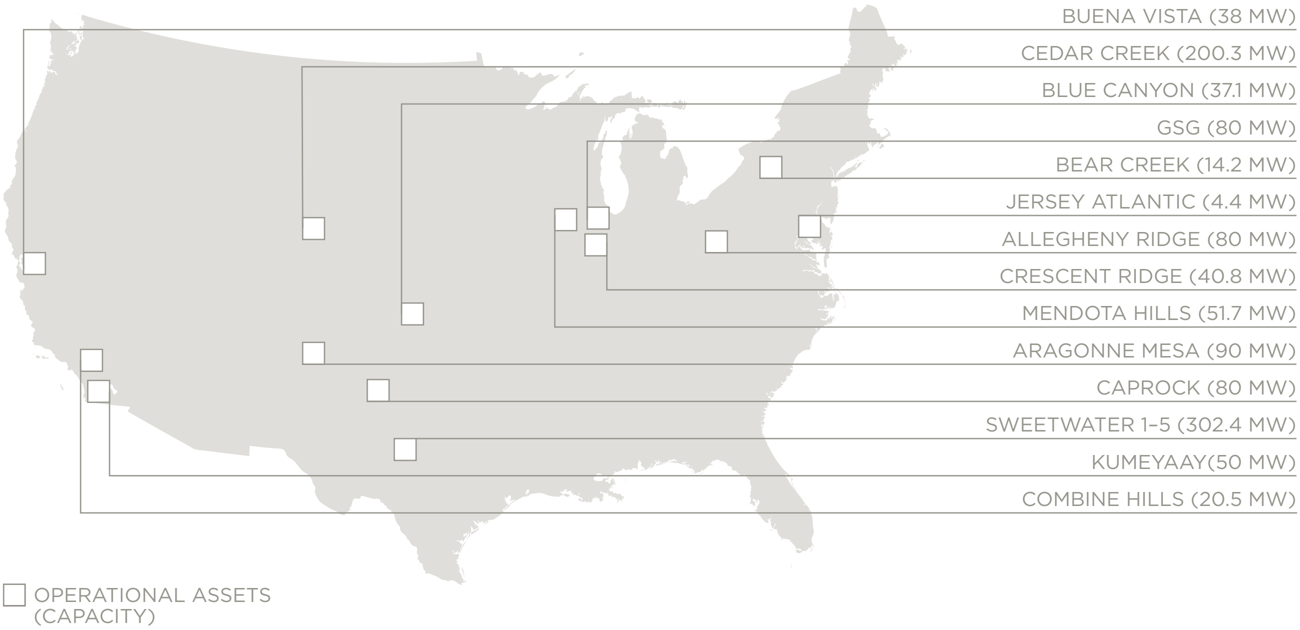
In 2012, these factors, combined with retirements of fossil-fuel generators and the growth of renewable generation, helped to achieve a reduction in carbon dioxide emissions in the US to a level last seen during 1992.

CRAIG CARSON
Chief Executive Officer, US

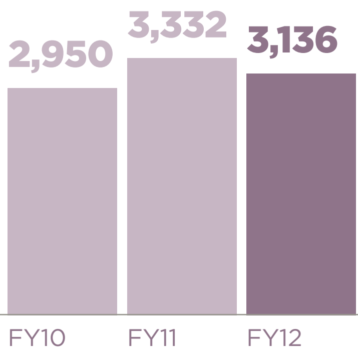
Craig joined Infigen Energy in 2010 and has responsibility for all of Infigen's activities in the US.

Craig has more than 25 years of leadership and senior management experience in the energy industry. Prior to joining Infigen, Craig was Vice President, US Cogeneration at BP Alternative Energy, where he had full profit and loss responsibility for BP's US Cogeneration business unit. Craig previously was responsible for the engineering, construction, operations and asset management for BP Wind Energy. Prior to joining BP, Craig held senior positions with ConocoPhillips and SkyGen Energy, and served in the US Navy.

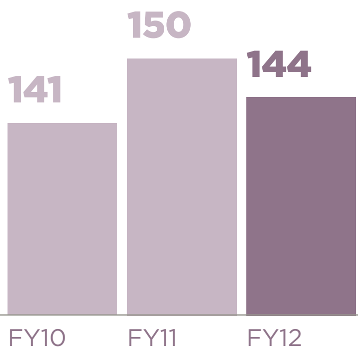
Craig holds a Bachelor of Science in Mechanical Engineering from the University of Illinois at Chicago and an MBA from Northwestern University's Kellogg School of Management.



3,136 PRODUCTION (GWH)



144 REVENUE ($ MILLION)



Our People are Our Most Valuable Resource

Infigen's greatest assets are its employees – the 150 industry professionals in the US located throughout the country. Our wind farms are home to most of our team, including highly skilled operation and maintenance technicians, electricians, and supply chain professionals. At our US headquarters in Dallas, Texas, a team of engineers, accountants, administrators and managers support field operations, drive our growth initiatives, and interface with external stakeholders, business partners and suppliers.

Our Operations Control Center (OCC) is also located in Dallas. Staffed with a highly skilled team of plant and system operators, the OCC monitors and operates our entire US fleet of wind turbines, balance of plant systems, and electrical interconnection facilities.

The OCC team is required to undergo extensive training and testing to obtain and maintain system reliability qualifications. Investment in their capabilities is a key driver of Infigen's successful operations.

Equally important is our training program for our operations and maintenance technicians. Achieving high levels of safety and reliability requires the men and women who maintain our facilities to be highly knowledgeable and skilled in areas of safety, mechanics, and electrical systems. Our technicians undergo continuous training to learn new processes and master current skills.

Whether a financial analyst in Dallas, a business development professional in Chicago or a supply chain manager in Pennsylvania, we are all active members of the communities in which we live and work. We have ridden our bicycles to support the fight against muscular sclerosis, supported teenagers in learning to raise and care for livestock, collected and distributed supplies to elementary schools, coached sports teams, and assisted our neighbors whose homes were damaged by tornados. It is important for us, in both our personal and professional lives, to make tomorrow better.

A Brighter Future with Solar Energy

Infigen's strategy is to engage the best people to provide safe, clean, renewable energy to the markets and communities that we serve. We are committed to developing, building and operating a renewable energy platform that values both its employees and the communities where we are located. Our generation helps to lower greenhouse gases that contribute to climate change, and makes your future a brighter one.

While the majority of our business today is focused on wind energy, our future envisages a broader perspective on renewable energy. Electricity generated from solar energy has a brighter future in the US and globally, and it will be an important part of our future.

We have engaged in several activities to help establish our solar business. We have begun greenfield investigation and development activities for several solar projects in the West, Southwest and Northeast. While these projects are in the early development stage, they are located in strong markets and offer a good platform to grow our business.

We have also entered into a joint development agreement with Pioneer Green Energy to jointly develop ten solar farms in California, Arizona and Texas. Our combined approach of greenfield development and partnering on more mature development prospects has provided us with a solid pipeline of opportunities to commercialize as we progress our solar business.

The safe, reliable, compliant and efficient operation of our facilities is a key element of our work. Our primary focus in operations is on the continued development of our team capabilities, both in the field and in the office. We are improving our processes, maintenance practices, and supply chain capabilities to offer industry leading levels of plant reliability and efficiency.

Our strategy is simple: To be great operators creating a brighter future.

Strengthening Performance

In the US, the Infigen team continues to improve the operational and commercial performance of its business.

Key achievements this year include a reduction in the total recordable incident frequency rate, the transition of five sites to Infigen Asset Management operations and supply chain management agreements.

The safety of our team and contractors, as well as doing no harm to the environment, is our first priority and a core value. This has been accomplished through a number of new initiatives and the strengthening of existing programs, which include safety stand downs where necessary following an incident, discussions of safety performance, daily safety tool box talks at each site, contractor management, near miss reporting, climbing safety, and increased technician training. These efforts have lowered the total recordable incident rate (TRIR) for Infigen employees and contractors by 25% over the period from 18 to 13.5.

What are the Mercury and Air Toxics Standards (MATS)?

On 21 December 2011, the US Environmental Protection Agency announced standards to limit mercury, acid gases and other toxic pollution from power plants. The standards will reduce emissions of heavy metals, including mercury (Hg), arsenic (As), chromium (Cr), nickel (Ni); and acid gases, including hydrochloric acid (HCl) and hydrofluoric acid (HF). MATS applies to new and existing coal and oil fired electric utility steam generating units larger than 25 MW.

There are approximately 1,400 units affected by these standards; approximately 1,100 existing coal fired units and 300 oil fired units at about 600 power plants.

www.epa.gov/mats/actions.html

From an operations and maintenance perspective, Infigen has fully transitioned the Gamesa turbine assets to Infigen Asset Management, and executed extended service and maintenance agreements for five additional assets with Mitsubishi turbines representing 39% of our total turbine fleet.

During the year an in-house engineering technical services group was established to focus on improving plant reliability and the execution of technical projects. Together with the operations team, this group has accomplished a number of significant projects, including repairs to turbine foundations, the redesign and refitting of a power quality system.

The group has also developed systems for improved monitoring and reporting wind turbine efficiency and performance at all assets, resulting in improved production. As a consequence site availability has improved by 0.8% over the period from 94.5% to 95.3%.

Supply chain management continues to receive greater attention as Infigen positions itself to capture the benefits of direct sourcing of components, as well as a more competitive environment. Infigen Asset Management has taken over the inventory management for two additional wind farms during the period taking the total to 11 wind farms.

Infigen optimises procurement by evaluating cost savings opportunities within a growing domestic market for parts and services across the various turbine platforms or in some cases, the entire fleet under management. New procurement systems will track, report and support decisions around optimal inventory levels. For many parts, including major components, Infigen has been successful at directly sourcing components from the manufacturer, rather than through the turbine supplier, thus reducing costs and improving delivery times.

KATHLEEN ESPOSITO

Vice President of Legal and General Counsel

Attorneys are used to looking at all sides of an argument. In the case of electricity production, and especially in the context of a fragile economy, there will ultimately have to be a balance between the cost of production versus the emissions resulting from the use of any particular generation fuel and/or technology. Over time, the fuel of choice has changed – coal and oil were supposed to be displaced by "too cheap to meter" nuclear, which gave way to natural gas, and, when gas prices rose, the vision of clean coal and a rejuvenated nuclear industry.

Throughout these paradigm shifts, consumers were paying for utilities to adopt the technology of choice. Meanwhile, the efficiency and economics of renewable technologies kept improving, to the point where they are a clean, competitive alternative. Weighing all the facts, this attorney's bet is on renewables.

AUSTRALIA

Australia's energy sector is going through regulatory reform and enormous change. This will deliver low cost energy in a low carbon economy as a strong platform for Australia's future

During the 2012 financial year, Infigen's Australian wind farms generated 1,402 GWh of clean, renewable electricity. Our generating capacity increased in October 2011 following the commissioning of the 48.3 MW Woodlawn wind farm, completed on time and on budget. We continue to be the largest owner and operator of wind farms in Australia.

In 2012, we continued to develop the Australian business into a leading independent renewable energy business. We increased our focus on customers through improving our capabilities within the energy markets function including expanding the number of electricity and environmental product market counterparties that we transact with, and securing the ability to retail our electricity in multiple states. We judiciously advanced our development opportunities, including a decision to construct the first integrated solar photovoltaic (PV) and battery storage demonstration plant to be registered in the National Electricity Market.

Our Business is about People and Teamwork

The renewable energy industry is relatively young in Australia. Infigen is investing in people, capabilities and developing its strategic partnerships in order to meet the challenges and opportunities renewable energy will bring to the electricity market. These remain priorities for our business.

6 WIND FARMS

557 INSTALLED CAPACITY (MW)

Passionate people

Our people are passionate about our purpose – to be a renewable energy business that supplies cost effective low emissions electricity to our customers and generates attractive and profitable returns for securityholders.

We seek to sustain a motivated and capable workforce through the continued investment in our people and capabilities.

Understanding the value of teamwork, we commenced a program with the Australian Graduate School of Management to further improve our culture and workplace. This has also led to the launch of a staff innovation program that engages staff to identify creative approaches to reduce costs, improve productivity and make Infigen a better place to work.

KETAN JOSHI
OCC Operator

Using science and engineering to extract energy from a renewable source in a sustainable and efficient manner is not just good for the company. We are providing a colossal quantity of energy to Australians, and we are doing it without sacrificing the wellbeing of our future generations.

I joined Infigen in February 2010, and was part of the team that embarked on establishing Infigen's Operations Control Centre. I completed a Bachelor of Science, majoring in Neuroscience, at Sydney University. I previously worked in research and contractor management.

SCOTT TAYLOR
Group General Manager – Australia

Scott is the Group General Manager of Infigen's Australian business.

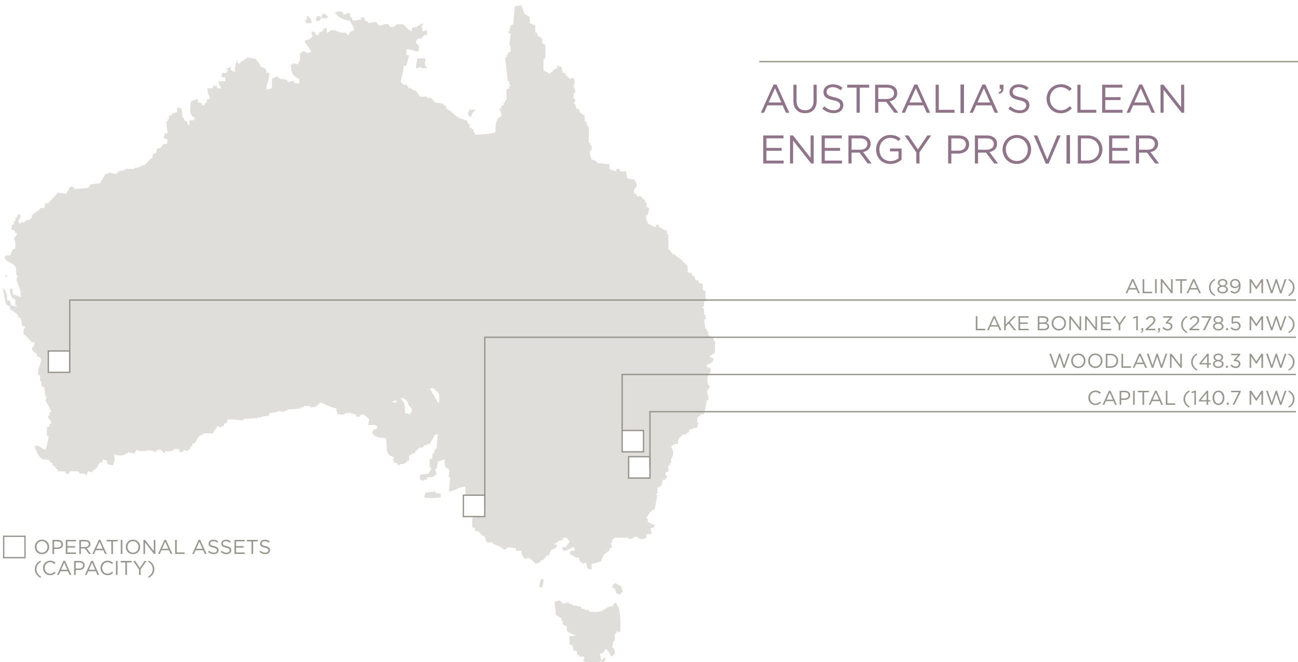
Scott is accountable for the operational performance of the assets, commercial performance of the business and continued growth in the Australian Energy market.

Scott previously managed Infigen's US wind energy business and was also involved in a number of line management, business transition, and strategy development roles both in Australia and the US since late 2006.

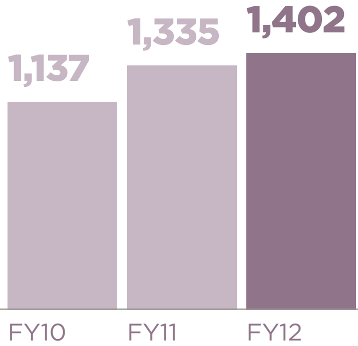
Prior to joining Infigen Scott had held a number of senior management roles at QR, Tarong Energy, Energex, and Comalco Smelting.

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 from the University of Canberra and Business Administration (UQ).

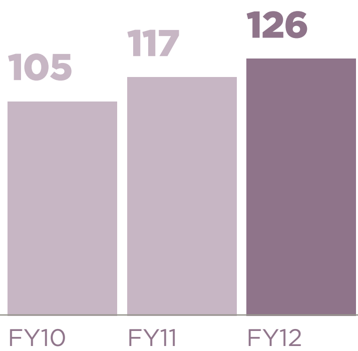
AUSTRALIA'S CLEAN ENERGY PROVIDER



1,402 PRODUCTION (GWH)



126 REVENUE ($ MILLION)



STUART BONNINGTON
Generation Engineer, Lake Bonney wind farms

Why do I work in renewables? Some people think renewable electricity generation is the future. I don't.

I know renewable electricity generation is the future. I want to be able to control my future and the environment's future.

Working for Infigen allows me to do this.

Building partnerships

The Australian business continues to transition into a post-warranty operating environment. We executed four service and availability agreements with Vestas, to maintain cost certainty for the business over the next five years. These agreements better align the interests of Infigen and Vestas, by providing incentives to maximise production.

The agreements with Vestas cover 367.6 MW (66%) of Infigen's installed Australian capacity, comprising 166 turbines across the Lake Bonney wind farms in South Australia and Alinta wind farm in Western Australia.

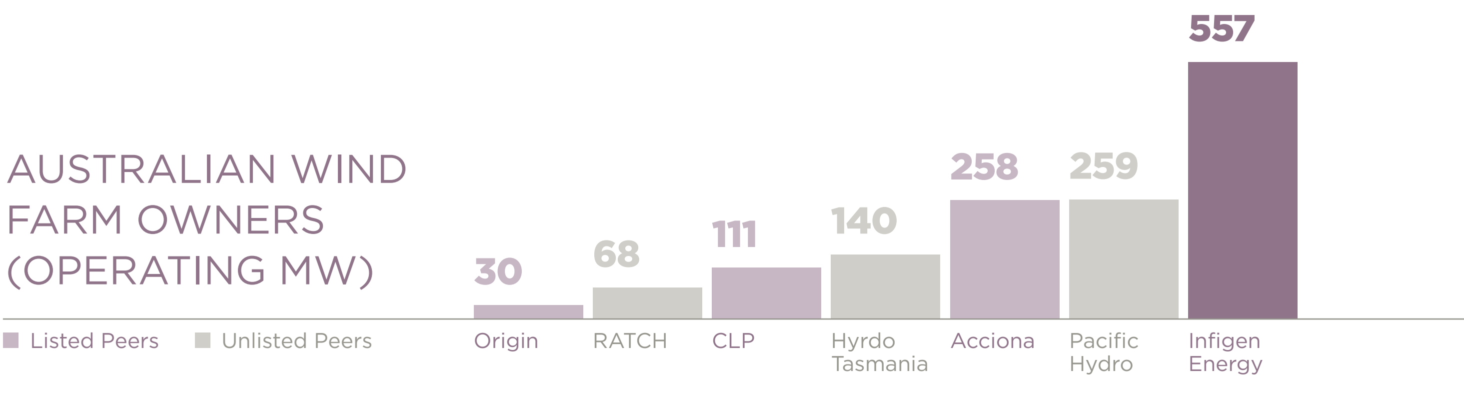
Continued growth

Infigen has an operating capacity of 557 MW, making it the largest owner-operator of installed wind capacity in Australia.

Construction of the Woodlawn wind farm was completed with no lost time injuries and achieved practical completion on 17 October 2011. Woodlawn wind farm is part financed by a $55 million project finance facility. During the 2012 financial year Woodlawn wind farm contributed $7.9 million to revenue and 118 GWh to production.

Wind farm	Capacity (MW)	Equivalent homes supplied a year (homes)	Date of operation	Contracts	Sell on a merchant basis
Alinta, WA	89.1	64,000	Jan 2006	Alinta Sales Pty and AGL Electricity Limited	
Capital, NSW	140.7	60,000	Jan 2010	Sydney Desalination Plant	✓
Lake Bonney 1, SA	89.1		Mar 2005	Origin Energy	
Lake Bonney 2, SA	80.5	110,000	Sep 2008	-	✓
Lake Bonney 3, SA	39		Jul 2010	-	✓
Woodlawn, NSW	48.3	23,000	Oct 2011	-	✓
Total:	**556.6**	**257,000**		**55% of production**	

AUSTRALIAN WIND FARM OWNERS (OPERATING MW)



What is the Renewable Energy Target?

The Australian Parliament has legislated a Renewable Energy Target to increase electricity generation from renewable sources to at least 20% by 2020 under its scheme implemented in 2009. In 2012, the scheme included a Large-scale Renewable Energy Target (LRET) and Small-scale Renewable Energy Scheme (SRES).

The scheme is designed to encourage investment in and switching to renewable energy sources through mandated annual targets for the renewable proportion of Australia's electricity supply, rising to achieve the 2020 target.

ret.cleanenergyregulator.gov.au

The project created more than 150 direct jobs during construction and contributed to many more indirect jobs in Australia involving the fabrication of towers, buildings, switch rooms and electrical equipment. We provided on-site apprentices with valuable work experience and the development has also benefitted the local community through increased economic activity.

Infigen sells renewable electricity from its Australian wind farms through long term Power Purchase Agreements, Large-scale Generation Certificate (LGC) sales agreements, and retail supply agreements, with residual output and generation traded on a merchant basis (wholesale electricity and LGC markets).

Australia's Actions on Climate Change

Australia is taking action to decarbonise the economy in order to reduce the effects of climate change. With the introduction of the carbon price, the coming year will be the first in Australia where around 500 of the biggest polluters will need to acquire and surrender a permit for every tonne of carbon dioxide equivalent emissions they produce.

The introduction of a carbon price helps support the case for renewable investment.

Achieving the target with wind energy

Australia's installed wind capacity reached 2,224 MW at the beginning of 2012. According to the Clean Energy Council the total capacity of currently proposed wind projects is approximately 14,000 MW.

Wind remains the clear renewable technology leader in terms of cost competitiveness, and we continue to expect wind will meet up to 80% of the large-scale target. Globally, turbine prices have fallen substantially. New turbine suppliers are seeking to enter the Australian market, and we expect to see significant competition when a market signal returns through offtake contract pricing and regulatory certainty.

Since last year, the large surplus of LGCs has continued to be acquired by the large electricity retailers to meet their future obligations. The average price increased from approximately \$35/LGC to approximately \$39/LGC during the year. In line with our expectations, the supply of LGCs created in 2012 is tracking substantially lower than the number required by liable entities to surrender to the Government at the end of the 2012 calendar year. This scarcity of LGCs created during 2012 has begun to deplete the large surplus created in 2010. In time, we expect the gap between supply and legislated demand will lead to a tightening market, encouraging liable entities to commission new wind farms, by either entering into new long term contracts or purchasing larger quantities of LGCs from the inventories of renewable energy generators or traders. Failure of the liable parties to surrender sufficient certificates results in a penalty currently set at \$65/LGC of shortfall. The penalty is not tax deductible, making the effective after tax price of a shortfall \$93/LGC.

INFIGEN IS THE LARGEST OWNER-OPERATOR OF INSTALLED WIND CAPACITY IN AUSTRALIA

What is the Australian Carbon Price?

In 2012, the Australian Parliament legislated a price on carbon and greenhouse gas emissions under the Commonwealth Government's Clean Energy Future plan, to take effect on 1 July 2012. The legislation promotes a reduction in carbon emissions.

The carbon pricing mechanism will cover four of the six greenhouse gases counted under the Kyoto Protocol – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (NO_X) and perfluorocarbons (PFCs) from aluminium smelting.

For the first three years, the carbon price will be fixed, before moving to an emissions trading scheme in 2015. In the fixed price stage, starting on 1 July 2012, the carbon price will start at \$23 a tonne, rising at 2.5% a year in real terms. In August 2012, the Government announced that the previously proposed fixed price floor would not apply from July 2015 as originally proposed, relying instead on a linkage between Australia's carbon price mechanism and the European Union's emissions trading scheme from that time. Australian emitters can buy up to 50% of their liabilities from international markets.

www.cleanenergyfuture.gov.au

Australia's Changing Energy System

Australia's energy system is subject to uncertainties from an unpredictable supply-demand balance.

The National Electricity Market (NEM) continues to evolve through the privatisation of government-owned assets. Price elasticity and changes in electricity sourcing behaviour have resulted in changes to the energy supply mix as the role of distributed and solar generation increases.

WIND GENERATION REMAINS THE CLEAR RENEWABLE TECHNOLOGY LEADER IN TERMS OF COST COMPETITIVENESS

There is significant uncertainty in the price of domestic gas supply, which is viewed by some as the transitional fuel to a low-emission economy. Four competing liquefied natural gas (LNG) projects in Gladstone are converting coal seam natural gas to LNG, with the first project expected to come on line from 2014. These LNG projects are expected to lead to significant increases in domestic wholesale gas prices, driving them towards world LNG parity. Businesses concerned with energy price security are starting to look for alternative options to reduce the risk associated with their reliance on gas.

Sophisticated energy consumers have become more aware of choices they can make to increase their energy efficiency and cost effective procurement. As the cost of solar PV technology has fallen from over $4/watt in 2008 to less than $1/watt in 2012, businesses and households can increasingly afford to buy their own PV electricity supply. At the end of 2011, installed solar PV capacity in Australia reached 1.4 GW.

Changes in long-term weather patterns like the occurrence of La Niña and more moderate weather have also contributed to a drop in electricity consumption and peak demand, delivering considerably less market price volatility.

Building a Smart, Clean Energy Future

Offering a choice to retail customers

Wind energy provides economic sustainability through cost certainty at competitive prices. Our renewable energy fleet of assets can provide long term and sustainable electricity products to customers and eliminate fuel price risk.

Infigen is expanding its channels to market in order to provide commercial and industrial customers with cost-competitive sources of energy. We currently have an electricity retail licence in New South Wales, and a National Retail Authorisation, that permits retail activities in the Australian Capital Territory and Tasmania. In the 2013 financial year, we are pursuing electricity retail licences in South Australia, Victoria and Queensland.

Australia's first National Electricity Market (NEM) registered solar farm and energy storage facility

We continue to explore solar opportunities and work towards the development of a small solar PV and energy storage demonstration facility at the Capital Renewable Energy Precinct in New South Wales.

The solar PV array and storage demonstration facility will be the first of its kind in Australia and the first solar farm to be registered in the NEM. Infigen will use the facility to trial construction techniques, battery storage technology, and the combined operation and dispatch of the solar PV array and energy storage, to maximise the economic return.

The lessons learnt from this demonstration plant will be applied to the design of future utility-scale PV plants and the integration of future large-scale energy storage into the NEM.

Platform for growth

Our development pipeline encompasses wind capacity and solar capacity. We have already received planning approvals for the majority of our wind and solar PV capacity in the development pipeline.

This year we received planning approvals for the Capital 2 and Woakwine wind farms. Development applications for the Bodangora, Forsayth, Flyers Creek and Cherry Tree wind farms were all placed on public exhibition. In addition, a development application was lodged for the 1 MW Capital East solar farm comprising a solar PV and energy storage facility. A 200 kW first stage will be constructed initially.

WENDY MOLONEY

Construction Contract Administrator

We will simply destroy our planet if we don't stop extracting and consuming its energy and water resources. The solution is in change. I am proud to be a part of this by using my engineering skills.

I have a Bachelor of Engineering (Civil) from the Queensland University of Technology. Having worked in a variety of industrial projects in Queensland, wind farm projects in Scotland and data centres and airports in Qatar, I joined Infigen in 2010. My first role was as the Contract Administrator for the Woodlawn wind farm construction. I am looking forward to project managing the construction of the Capital East solar farm development.

OUR DEVELOPMENT PIPELINE REMAINS A KEY STRATEGIC ASSET

Wind Farm	Location	Capacity (MW)	Planning Status	Connection Status
Bodangora	New South Wales	90-100	Public display complete	Advanced
Capital 2	New South Wales	90-100	Approved	Advanced
Cherry Tree	Victoria	35-40	DA lodged	Intermediate
Flyers Creek	New South Wales	100-115	Public display complete	Intermediate
Forsayth	Queensland	60-70	DA lodged	Intermediate
Walkaway 2 & 3[*]	Western Australia	~400	Approved	Intermediate
Woakwine	South Australia	~450	Approved	Intermediate
Total		**1,225-1,275**		

Solar Farm	Location	Capacity (MW)	Planning Status	Connection Status
Capital[#]	New South Wales	50	Approved	Advanced
Capital East	New South Wales	1	Approved	Advanced
Cloncurry	Queensland	6	Early	Early
Manildra[#]	New South Wales	50	Approved	Advanced
Moree	New South Wales	60	Approved	Early
Nyngan[#]	New South Wales	100	Approved	Advanced
Various	USA	300	Early	Intermediate
Total		**567**		

* Infigen has a 32% equity interest

\# Infigen has a 50% equity interest

SUSTAINABILITY

Our aim is to build strong relationships through transparent communication with the communities in which we intend to locate our assets

Our Generation, Your Future

We strive to be the leading provider of renewable energy that attracts people who are passionate about creating a sustainable future – that is, they want to make a difference. However, the inherent sustainable nature of our business does not stop with supplying renewable energy to our customers.

Infigen's Sustainability Framework is focussed on delivering outcomes in the following key focus areas:

1. Maximise benefits for our customers, our investors, our people and the communities that we are part of:
   - Socially
   - Economically
   - Environmentally
2. Enhance the quality of life and wellbeing of individuals and communities touched by Infigen's activities through:
   - Community engagement
   - Community partnerships
   - Employee engagement
   - Employee led sustainability initiatives
   - Community and employee health and safety
3. Efficient generation of electricity from renewable sources through:
   - Efficient use of resources
   - Waste and pollution reduction
   - Ecosystem protection
   - Land productivity enhancement

Focus on safety

The Infigen team consists of approximately 220 people managing 24 wind farms in the US and Australia. Infigen is committed to providing a safe and healthy workplace for all employees, contractors, subcontractors, visitors and all others whose health or safety could be affected by our activities. Infigen recognises that we have a primary duty of care to ensure that the health and safety of persons is not put at risk from our work activities.

Total Recordable Incident Rate and Lost Time Injury Frequency Rate

	TRIR 1	LTIFR 1
FY11	25.9	3.4
FY12	11.8	1.0

1 – (per 1,000,000 working hours)

From 1 July 2011 to 30 June 2012, Infigen improved both its rolling 12 month lost time injury frequency rate (LTIFR) and total recordable incident rate (TRIR), from 3.4 and 25.9 to 1.0 and 11.8 respectively.

Committed to Making a Difference

Infigen is deeply committed to making a positive contribution in each of the communities in which we operate, are part of and live. By fostering lasting relationships with non-profit organisations, funding local initiatives, providing community support and participating in community events, Infigen is able to champion important causes while promoting a strong culture of caring for our future.

Direct financial contributions to community activities totalled over $500,000 in the 2012 financial year, while many of our employees also willingly gave their time to participate in community events. This benefitted local communities in the areas of education, fire and police departments, social welfare, country shows, indigenous groups, sports clubs, art festivals and youth programs, including the US youth development organisation 4-H.

Supporting victims of disasters

By committing time and resources, Infigen and its employees have provided valuable support to organisations in need, and created opportunities for employees to meet their personal goals of committing time for a worthy cause. This includes helping people affected by the Central Texas wildfires and the North Texas tornado by donating goods.

Fundraising for Charity

An Infigen team participated in the 'Bike MS 150' charity ride in Texas. Nine employees, with support from colleagues and family, rode 152 miles to raise awareness and funding for the fight against multiple sclerosis. Infigen matched the funds raised by employees.

Infigen donated to the Australian Cancer Council through sponsoring the 'Vestas Vikings' in the 'Relay For Life' run.

Infigen employees also raised money for Make-A-Wish Australia foundation and the Australian Cranio-Maxillo Facial foundation.

Power to the people in developing countries

Infigen co-sponsored the Imaki Village Electrification through a project led by the University of New South Wales (UNSW) students. While still students at the UNSW, Chris McGrath and Eden Tehan developed a micro-hydro system that brings sustainable, affordable and reliable natural-power to a remote village on one of Vanuatu's 83 islands. This project now provides power to the community's health clinic, two schools, church and shop, and has given the community the opportunity to improve their quality of life.

Connecting the Young Social Entrepreneurs

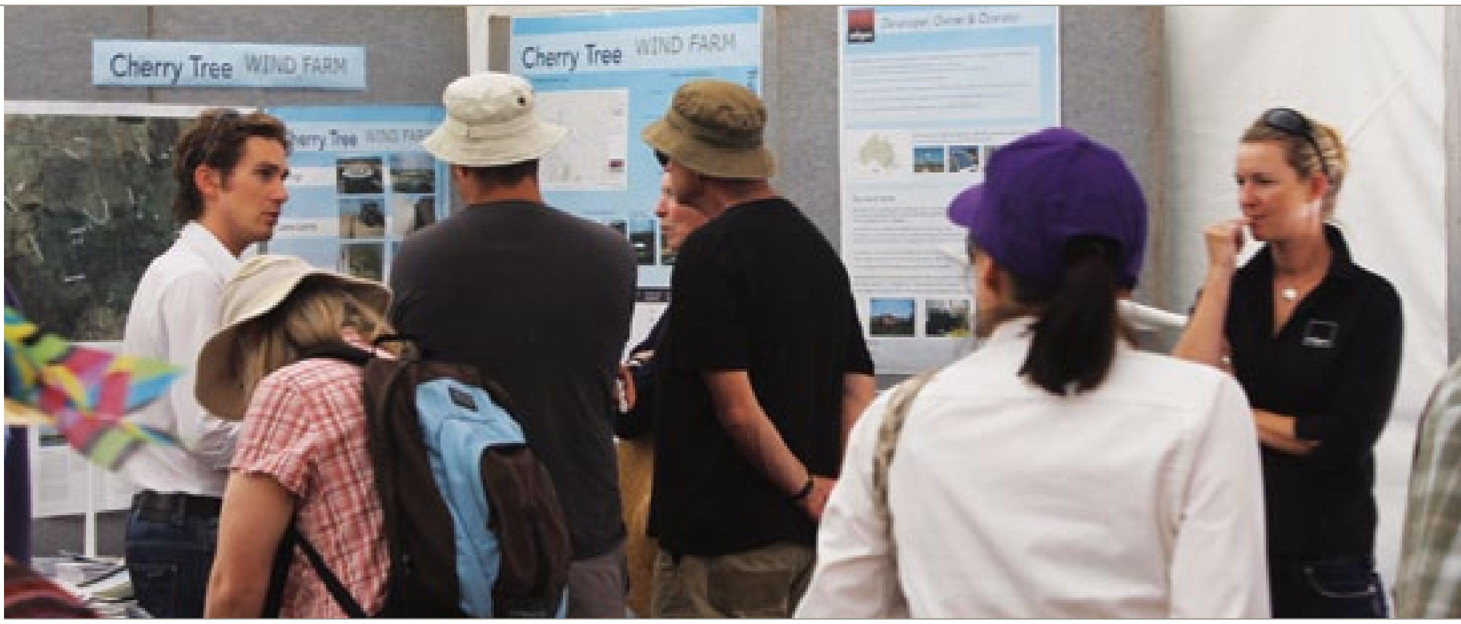
Infigen is proud to sponsor the cause of social entrepreneurship through connecting individuals, who recognise a social problem and use entrepreneurial principles to organise, create and manage a venture to achieve social change. In February 2012, at the first networking event bringing together young entrepreneurs and businesses, attendees heard inspiring stories from social entrepreneurs who have implemented socially sustainable ideas into remote communities.

One of these was a story about a project led by Infigen staff member James Hazelton, who founded and co-funded a community led microfinance project in eastern Nepal. The project was created to help local farmers improve profitability and farming methods, while strengthening the community by using the profits to improve village living conditions.

CHRIS MCGRATH
Development Manager

The idea of sustainable energy solutions is simply about a better way to do things.

I have a Bachelor of Science Engineering, Renewable Energy degree from University of New South Wales. I have been working on Infigen's Australian solar PV projects.



Keeping an Open Dialogue with Our Communities

Effectively engaging with stakeholders and talking through people's concerns is a priority for Infigen. We strive to improve how we do this and continue to learn.

Prior to construction all wind and PV solar farm projects go through a development application process in consultation with specialist engineers, planning authorities and the local community. The areas of engagement vary state by state, but broadly cover:

- environmental noise
- flora and fauna
- landscape and visual impact
- cultural heritage
- traffic and transport
- shadow flicker
- electromagnetic interference

Infigen holds open information days within each community in which a project is planned. Infigen actively invites everyone who is interested to come and talk about the project, provide feedback and identify opportunities for co-operation.

Debunking the myths about wind energy

Infigen welcomes interest in issues surrounding the generation of electricity from renewable sources like the wind and sun. Our aim is to build strong relationships through transparent communication with the communities in which we intend to locate our assets. Establishing these relationships is critical because Infigen intends to be a member of these communities for at least 20 to 25 years, throughout the construction and operation of wind farms.

In 2011 and 2012 Infigen organised initiatives to provide opportunities for communities to obtain information and discuss renewable energy and our business during country shows in Bathurst, Blayney, Carcoar and Seymour in Australia. We also met with activist groups, organised trips to wind farms and facilitated meetings between residents from proposed project areas and residents from nearby areas of Infigen's wind farms.

ALMA CORREA HOLMES

Business Services Manager

Working in the wind energy industry makes me proud to be part of something tremendously important. While global energy problems will not disappear tomorrow, we are definitely making an impact in my children's lives. I am thrilled to be a part of the solution!

I graduated from the University of Texas and hold an Associate of Arts, an Associate of Science in Business, a Bachelor's degree in Business Administration (cum laude), and a Master's degree in Business Administration.

At the proposed Cherry Tree wind farm project site in Victoria, Australia, residents in the area were interested about infrasound and audible sound levels from wind farms. It was important for Infigen that these people could access information from an independent, knowledgeable source, which was made available.

Infigen invited an independent acoustic expert to an information session at Cherry Tree to answer questions about the various sounds generated by wind farms. The acoustic expert explained in simple terms the concept of infrasound and independent noise compliance testing procedures undertaken at wind farms.

Helping to raise awareness about renewable energy

Infigen welcomes opportunities to promote renewable energy, and supports staff participation in school and university activities as well as numerous conferences.

For the second year running in Australia, Infigen promoted Global Wind Day by hosting an open day at one of its wind farms. Infigen's Operations Control Centre operators, wind farm developers and construction project managers were wind farm tour guides and explained to visitors how the wind farm is managed and operated, the composition of turbines and how wind power is turned into electricity.

In the US, Infigen continues to support an annual drawing contest which commenced in 2007. The purpose of the contest is to introduce children to renewable energy at an early age. The contest involves 3rd to 5th grade students in elementary schools surrounding Infigen's wind farms.

Sharing the Economic Benefits

To date, the total cumulative capital investment in wind farms in Australia is estimated at just over $7 billion according to a Sinclair Knight Merz study commissioned by the Clean Energy Council. Of this some $4.25 billion is estimated to have been spent in Australia on Australian goods and services.

Each year Infigen distributes more than $260 million of economic value between suppliers, employees, capital providers, governments and communities in which Infigen operates. In the US and Australia this is achieved through sourcing supplies from local businesses, payments to land owners, local authority taxes and charges, community investments and local employee wages. This figure is significantly higher during the construction activity on each project.

Making efforts to source locally

Infigen seeks to source materials and services from local suppliers to bolster the local economy, enhance community engagement, and reduce the impact on the environment from transportation.

'Reality check' with our communities surrounding Capital wind farm, Australia

Infigen commissioned an independent research company to better understand perceptions of the benefits from Infigen's Capital wind farm near Bungendore, in Australia, where Infigen began working in 2004. The survey captured insights from 234 respondents including 89 business operators. The survey explored perceived benefits from the wind farm and opinions on its effects on local businesses and property values.

The results showed that the majority of nearby residents perceived and welcomed the positive impacts the Capital wind farm has had.

Climate Change

Climate change and pollution affect us all. We are faced with the consequences of damaged ecosystems, inhabitable and unusable land, contaminated air, rising sea levels, extreme temperatures and weather events.

Participation in Carbon Disclosure Project

As part of Infigen's commitment to addressing the damaging effects of climate change, Infigen reports assessment of climate change risks under the Carbon Disclosure Project – the world's largest independent global system through which thousands of companies report their greenhouse gas emissions.

The most significant physical risks are the increases in the occurrence of extreme weather events and changes in physical climate parameters. Infigen's business continuity planning considers such events and mitigation is provided by the insurance program. Regulatory uncertainty in conjunction with climate change is also a risk. To mitigate this, Infigen proactively engages with government regulators to promote renewable energy industry and encourage supportive legislations.

Infigen is strategically positioned to capture opportunities associated with climate change responses by its focus on the ownership and operation of renewable electricity generation facilities.

DURING THE 2011 AND 2012 FINANCIAL YEARS INFIGEN'S ENERGY CONSUMPTION WAS LESS THAN 1% OF ITS GENERATION

Developing an understanding of our electricity consumption and carbon emissions

To develop, construct and operate its generation facilities, Infigen consumes energy directly and indirectly. The level of energy consumption is very low relative to the electrical energy generated. However, it is important to monitor these consumption levels, both to meet regulatory reporting requirements (in Australia Infigen has obligations under the National Greenhouse and Energy Reporting Act), and for greater understanding of its energy and emissions profile.

In the 2012 financial year Infigen commenced monitoring its energy usage and emissions across all operations in Australia, and the US for the first time.

During the 2011 and 2012 financial years Infigen's energy consumption was less than 1% of its generation.

Infigen's Emissions – Australian Business Unit

Scope 1&2 Emissions	FY11	FY12	Change
Total greenhouse gas emission in tonnes of CO_2 equivalent	3,744.6	3,212.5	-14.2%
Tonnes CO_2 equivalent per MWh net generation	0.0028	0.0023	-18.4%

Scope 1 and 2 emissions in the US in the financial year 2011 were 16,327 tonnes of CO_2 equivalent. This is comparable to emitting 0.0049 tonnes or 4.9 kilograms of greenhouse gases per megawatt hour. The data certainty level of these reported figures is 50%. Emissions reporting for the financial year 2012 will be available in the sustainability section on Infigen's website: www.infigenenergy.com

Enhancing Quality of Life and the Environment

Infigen takes steps to protect ecosystems through its environmental management plans, which reflect the requirements of local, state and national regulations. At each of its operating wind farms, Infigen continues to develop its environmental plans, manuals and procedures in line with Infigen's Environment & Community Policy to enable a strategic approach to biodiversity risk management, target setting and establishment of monitoring processes.

Responsibility for preserving bird and bat habitat

All Infigen's activities take into account assessment of impacts on co-existing flora and fauna.

Infigen values the collaboration with planning authorities to put in place adaptive management programs, which are facilitated by independent ecologist experts. This helps Infigen to learn about the behaviour of birds and bats co-existing with wind and solar farms, and implement programs to reduce the impact on bird and bat habitat.

At our most recent projects at Capital and Woodlawn in Australia, independent ecologist experts carry out carcass searches on a monthly basis, and bird and bat utilisation surveys reported on an annual basis to make recommendations for protecting the environment.

Reducing risk of fire

Infigen implements mitigation strategies to limit potential of ignition of bushfires, and carries out regular fire prevention inspections. Wind farm site teams liaise with emergency services, organise familiarisation tours and maintain ongoing programs for maximum prevention of fire risks.

Keeping the land available for livestock and farming

Wind turbines occupy no more than 1-2% of the entire wind farm area. Wind farms are compatible with other land uses by land owners. Farmers can grow their crops, and livestock can feed on the land throughout the construction and operation of a wind farm.

Creating a Better Workplace for Infigen Employees

Infigen strives to create a workplace where people aspire to work for Infigen and dedicate themselves to our success. Providing team members with an opportunity to influence the strategic direction, workplace culture and organisational reputation is a key part of delivering our strategy. Inclusion and consultation is an important factor for motivating and retaining our team and it is important that team members feel they are a part of Infigen and can contribute to building its success.

Combining innovative minds and inspired people

Infigen seeks to create a better workplace by conducting employee engagement surveys. The most recent survey established that Infigen's workforce is highly motivated with high levels of job satisfaction, commitment and empowerment. Action plans were put in place to address key areas of improvement, including:

- Establish a leadership development program for current and future leaders
- Increase the workforce participation of females and persons from minority backgrounds
- Require all external recruitment processes to shortlist at least one female or minority candidate
- Engage tertiary institutions to help promote female careers in the renewable energy industry

Changes to the recruitment processes set out under these targets have already made a difference to the diversity at Infigen. At the end of 2012, there were 38% more women working at Infigen than 2011. Total workforce increases were predominantly a result of moving contractors into full time positions in the US.

Maintaining a capable, agile and motivated team

Developing critical leadership capabilities will improve engagement and retention, which enables future growth for Infigen. To achieve this, Infigen's Group Executive Management started working with the Australian Graduate School of Management to co-create a program for the leadership team, middle managers and high potentials at Infigen.

Traineeship and education

With Lawrence Livermore National Laboratory in California, Infigen collaborated to promote renewable energy engineering degrees through a tutoring program and studying materials on wind monitoring.

For the second year, Infigen sponsored the University of New South Wales Co-Op Scholarship Program in Australia. Participation in this program provides engineering students with practice and hands-on experience throughout their studies. In 2011, we sponsored two Bachelor of Engineering – Photovoltaics and Solar Energy degree students. The students worked over the summer at Infigen to complete their placements. In 2012, Infigen is sponsoring three students from the 1st, 2nd and 3rd year of that degree.

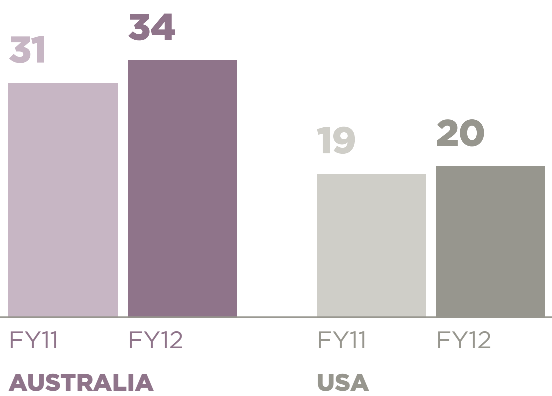
Infigen Innovation Challenge – Australia

At the end of the 2012 financial year, the Australian business unit launched an innovation challenge aimed at improving processes and working life at Infigen and reducing business costs. This initiative seeks to draw on the enormous knowledge and creativity that exists, with the employees. Implementation of selected ideas is planned through 2012 and early 2013. We look forward to reporting initial successes in next year's annual report!

Share of Females in Senior Positions

Board	20%
Group Executive Committee	0%
Senior Management	24%
Middle management	14%
Professional Engineers / Accountants etc	43%

FEMALE WORKFORCE (%)



INFIGEN MANAGEMENT

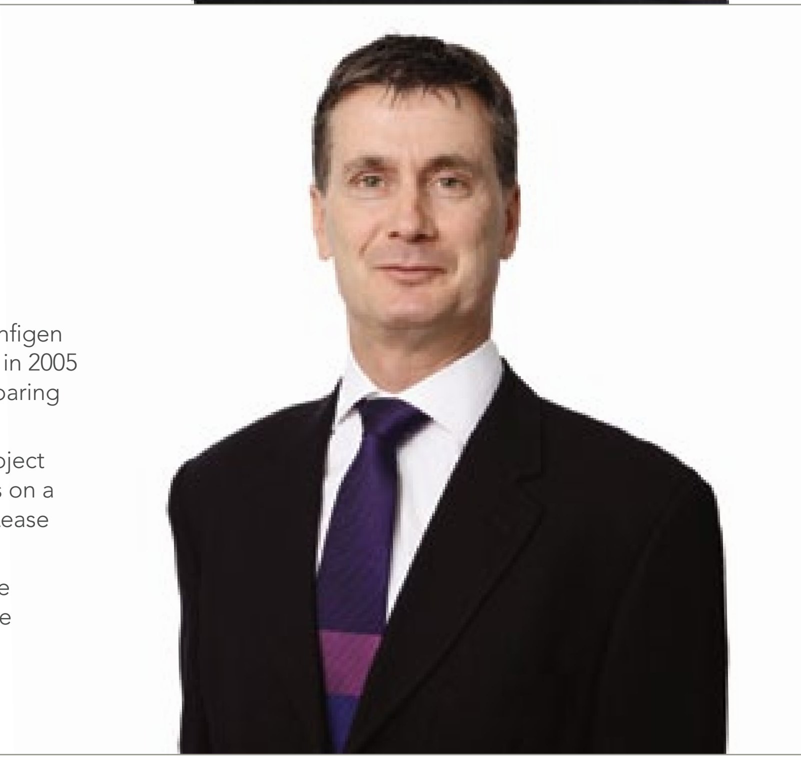
MILES GEORGE
Managing Director

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

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 the business and operational activities of Infigen Energy in Australia and the US. Geoff joined Infigen Energy in 2005 following playing an instrumental role in the process of preparing Infigen for its Initial Public Offer in 2005.

Geoff has extensive experience in the development and project management of major projects, having had leadership roles on a number of landmark developments while working at Lend Lease for almost 19 years in Australia and Europe.

Geoff holds a Bachelor of Engineering (Civil) (Hons) from the University of NSW with post-graduate qualifications from the Australian Graduate School of Management, Cambridge International Land Institute (UK) and the Australian Institute of Company Directors.

CHRIS BAVEYSTOCK
Chief Financial Officer

Chris is the Chief Financial Officer of Infigen Energy, with responsibility for managing of the financial risks of the business. Chris has been with Infigen Energy since December 2010 overseeing financial control and compliance. Chris has over 20 years of experience as a finance executive in mergers and acquisitions, acquisition integration, financing, project evaluation and review, bids and tenders, and all facets of reporting. His most recent roles were as Chief Financial Officer to the Tenix Group, and subsequently a number of senior finance roles at Transfield Services, including Group Financial Controller. Chris holds a Bachelor of Arts in History from the University of Cambridge with additional certificate as Chartered Accountant from the Institute of Chartered Accountants England & Wales (ICAEW).

BRAD HOPWOOD
General Manager – Corporate Finance

Brad is the General Manager – Corporate Finance for Infigen Energy, with responsibility for managing the sources and uses of capital for the business, corporate activity and projects, and the group's tax function. Brad has worked with Infigen Energy since 2006 and been responsible for tax, corporate finance and corporate structure matters, as well as the group's activities in Europe. Brad previously worked with KPMG in Sydney and London. Brad holds Bachelor degrees in Economics and Law and a Graduate Diploma of Legal Practice. Brad is also admitted in New South Wales as a (non-practising) Solicitor.

STEFAN WRIGHT
General Counsel

Stefan joined Infigen Energy in 2009 and is the group's General Counsel. Stefan's experience includes in-house and external counsel roles in Australia and the United States, with a focus on corporate, transactional and project orientated work (including financing, restructuring and capital markets transactions). He has been involved in the renewable energy industry since 2007. Stefan holds Bachelor degrees in Commerce and Law from the University of Adelaide and a Graduate Diploma of Legal Practice.

INFIGEN BOARD

MICHAEL HUTCHINSON
Non-Executive Chairman

Mike was appointed an independent non-executive director of Infigen Energy in June 2009 and subsequently elected Chairman in November 2010. He is Chairman of the Nomination & Remuneration Committee.

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

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

PHILIP GREEN
Non-Executive Director

Philip was appointed a non-executive director of Infigen Energy in November 2010. He is a member of the Audit, Risk & Compliance Committee.

Philip is a Partner of The Children's Investment Fund Management (UK) LLP (TCI), a substantial securityholder of Infigen Energy. Philip joined TCI in 2007 and his responsibilities include TCI's global utility, renewable energy and infrastructure investments.

Prior to joining TCI, Philip led European Utilities equity research at Goldman Sachs, Merrill Lynch and Lehman Brothers over a 12 year period. Philip is a UK Chartered Accountant (ACA) and has a Bachelor of Science (Hons) in Geotechnical Engineering.

FIONA HARRIS

Non-Executive Director

Fiona was appointed an independent non-executive director of Infigen Energy in June 2011. Fiona is Chairman of the Audit, Risk & Compliance Committee and also a member of the Nomination & Remuneration Committee.

Prior to this, she has been a director of a number of listed and unlisted companies, including Alinta Ltd and Alinta Infrastructure Holdings Group.

Fiona is Chairman of Barrington Consulting Group and was previously a National Director of the Australian Institute of Company Directors. For the past 17 years she has been a professional non-executive director.

Fiona is currently a Director of Altona Mining Limited, Aurora Oil & Gas Limited and Sundance Resources Limited. Within the last three years Fiona has previously been a Director of listed companies Territory Resources Limited and Vulcan Resources Limited.

Fiona holds a Bachelor of Commerce degree and is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

ROSS ROLFE AO

Non-Executive Director

Ross was appointed an independent non-executive director of Infigen Energy in September 2011. Ross is a member of the Audit, Risk & Compliance Committee and the Nomination & Remuneration Committee.

Ross is currently a Chairman of WDS Limited and CS Energy Limited. Ross is the Deputy Chair of the Finance Committee of Infrastructure Australia and he is also a member of the Commonwealth Government's Energy White Paper Reference Group. Ross has broad experience in the Australian energy and infrastructure sectors in senior management, government and strategic roles.

Ross has previously been a Director of Alinta Energy Limited as well as a Director of Thiess Pty Ltd, Infrastructure Australia, Infrastructure Partnerships Australia, Queensland Manufacturing Institute, Construction Queensland, Queensland Low Emissions Technology Centre, Emu Downs wind farm, Queensland Resources Council and Southbank Corporation.

Ross previously held the position of Co-ordinator General in Queensland and the positions of Director General in the Queensland Department of the Premier and Cabinet, Department of State Development and Department of Environment & Heritage. Ross was also previously the Chief Executive Officer of Stanwell Corporation.

MILES GEORGE

Executive Director

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION – STRUCTURE OF THE INFIGEN ENERGY GROUP

This statement outlines Infigen Energy group's corporate governance framework as at 30 September 2012. A copy of this statement and other relevant documents and summaries can also be accessed from the Corporate Governance section on Infigen's website at www.infigenenergy.com.

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

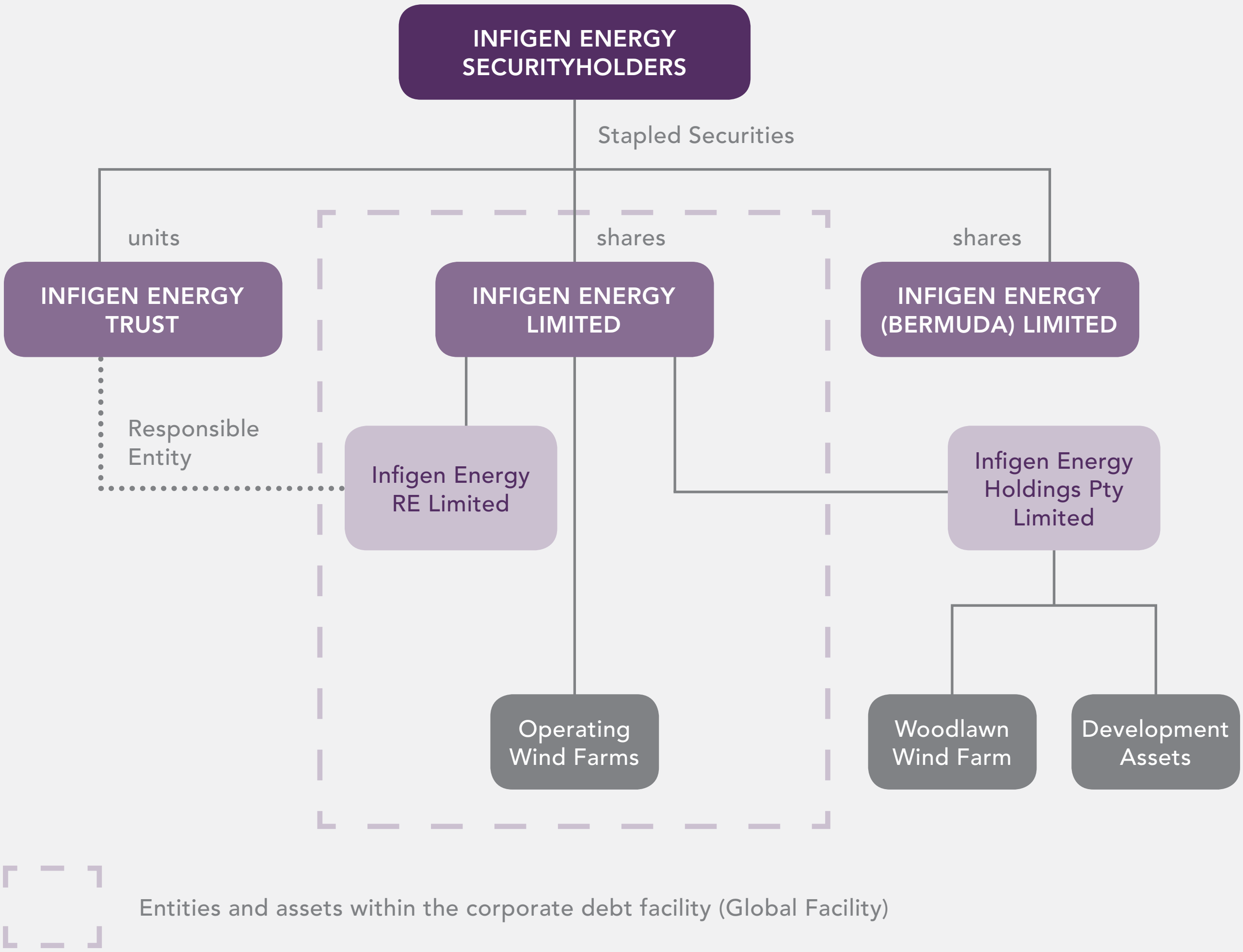
- Infigen Energy Limited (**IEL**), ACN 105 051 616, a public company incorporated in Australia;
- Infigen Energy (Bermuda) Limited (**IEBL**), ARBN 116 360 715, a company incorporated in Bermuda;
- Infigen Energy Trust (**IET**), ARSN 116 244 118, a managed investment scheme registered in Australia, 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 Australian Securities Exchange under the market code 'IFN'.

The current stapled structure of the Infigen 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 Infigen's corporate debt facility. IEBL was established and included in the group's stapled structure in 2005 to provide flexibility regarding potential investment ownership structures. IEBL has not been utilised for that purpose since it was established and Infigen aims to wind-up this entity when it is feasible to do so.

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



CORPORATE GOVERNANCE STATEMENT CONTINUED

Interaction between the roles of IEL, IEBL and IERL

The Boards of IEL, IEBL and IERL (the **IFN Boards**) are responsible for the governance and management of Infigen.

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

The Stapling Deed sets out the details of the relationship between IEL, IEBL and IERL in respect of Infigen. The Stapling Deed provides, to the extent permitted by law, for cooperation and alignment between these entities. 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 Infigen, as well as being accountable to securityholders for the overall corporate governance and management of Infigen.

ASX PRINCIPLES AND RECOMMENDATIONS

The ASX Corporate Governance Council (**ASX CGC**) has issued a guideline setting out corporate governance Principles and Recommendations. The ASX Listing Rules require listed entities to include a statement in their annual report disclosing the extent to which they have followed the Principles and Recommendations within the ASX CGC guideline during the reporting period. This Corporate Governance Statement is structured with reference to the second edition of the ASX CGC guideline released on 30 June 2010. Infigen has complied with the Principles and Recommendations within the ASX CGC guideline during the period unless specifically indicated otherwise. Relevant information also required to be included in this Statement by the ASX CGC guideline has been included unless specifically indicated otherwise.

ASX Principle 1: Lay solid foundations for management and oversight

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

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. Such delegation is non-exclusive. The Board Charters are reviewed by the IFN Boards annually. A summary of the Board Charters is available in the Corporate Governance section on Infigen's website at www.infigenenergy.com.

In acquitting their responsibilities, the Boards, amongst other things:

- contribute to and approve Infigen's corporate strategy;
- evaluate and approve material capital expenditure, acquisitions, divestitures and other material corporate transactions of Infigen;
- approve material Infigen policies, including Infigen's Code of Conduct, Health and Safety Policy, Conflicts of Interest Policy, Securities Trading Policy, Continuous Disclosure Policy and Risk Management Policy;
- approve the annual Infigen budget and all accounting policies, financial reports and material reporting by Infigen;
- approve the appointment or removal of the Chief Executive Officer (**CEO**);
- develop a succession plan for the CEO, and review succession plans for other senior managers;
- monitor the performance of the business and management team, in particular, the CEO and other key management personnel;
- consider recommendations of Board Committees, such as the Audit, Risk & Compliance Committee and Nomination & Remuneration Committee;
- determine Infigen's distribution policy;
- approve the appointment and terms of appointment of the external auditor;
- consider, approve and monitor the effectiveness of Infigen's overall risk management and control framework, including through regular reporting 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 Infigen's corporate governance policies and procedures and consider any amendments to those policies and procedures;
- monitor Infigen's compliance with ASX continuous disclosure requirements;
- subject to the constituent document of the relevant Infigen 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 Infigen.

The Boards have delegated detailed review and consideration of some 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. Where appropriate, this is given effect by concurrent Board and Committee meetings to address relevant matters.

The Board Charters also include an outline of the responsibilities of each Director. To assist Directors understand Infigen'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. Similarly, senior executives, including the CEO and Chief Financial Officer (CFO), have formal letters of employment governing their rights and responsibilities as executives within the Infigen group.

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

The Nomination & Remuneration Committee of the IEL Board has the primary responsibility for setting the key performance indicators against which the performance of the CEO and other senior managers are evaluated.

At the commencement of the 2012 financial year (and at other relevant times for new senior managers), individual key performance indicators were set for senior managers against which their performance would be evaluated. The key performance indicators included a mix of business performance measures and personal performance measures for each senior manager. At the mid-year and at the conclusion of the financial year, the review of the performance of senior managers is initially undertaken by the CEO and recommendations made to the Nomination & Remuneration Committee. The Nomination & Remuneration Committee undertakes a review of the performance of the CEO and considers the recommendations from the CEO regarding the performance of senior managers. The outcome of the Committee's review is then reported through to the IEL Board.

The Remuneration Report within the Directors' Report sets out Infigen's remuneration framework, including the key performance conditions that are assessed in determining the remuneration of the CEO and other senior managers.

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

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, the size and operations of the group and relevant corporate governance standards. It is intended that each of the IFN Boards will comprise Directors with a diverse range of skills, expertise and experience.

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 2012 financial year. There are three Independent Directors and two Non-Independent Directors currently on each of the IFN Boards.

When reviewing the independence of a Director who may have a separate contractual relationship with Infigen and/or is an affiliate of a business that has a contractual relationship with IEL, the materiality threshold to be applied to the cost or fees for the good or service being provided is 5% of the revenue of IEL for the prior financial year.

During the financial year and up to the date of this report, the changes to the IFN Boards are set out in the table below.

		APPOINTMENT DATES		
Current Directors	**Position**	**IEL Board**	**IEBL Board**	**IERL Board**
M Hutchinson	Independent Chair	18/6/09	18/6/09	18/6/09
P Green	Non-Executive Director[1]	18/11/10	18/11/10	18/11/10
F Harris	Independent Non-Executive Director	21/6/11	21/6/11	21/6/11
R Rolfe AO	Independent Non-Executive Director	9/9/11	9/9/11	9/9/11
M George	Executive Director[2]	1/1/09	1/1/09	1/1/09
Former Director	**Position**		**Retirement Dates**	
D Clemson[3]	Independent Non-Executive Director	11/11/11	11/11/11	11/11/11

1 Mr Green is a Partner of The Children's Investment Fund Management (UK) LLP which has a substantial shareholding of IFN securities.
2 Mr George is Managing Director and Chief Executive Officer of Infigen.
3 Mr Clemson retired as a Director at the close of the 2011 Annual General Meeting.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Throughout the financial year, the Independent Directors or Non-Executive Directors have met to consider relevant matters, as appropriate, in the absence of Non-Independent Directors or the Executive Director, respectively.

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 Infigen's expense on any matter connected with the discharge of their responsibilities, in accordance with the procedures set out in the Board Charters.

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.

Recommendation 2.2: The chair should be an Independent Director.

The Chair of each of the IFN Boards throughout the financial year was an Independent Director.

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

Throughout the financial year, the roles of Chair and CEO were exercised by different people for Infigen. At no stage was the Chair a former CEO of Infigen or any related party of Infigen.

NOMINATION COMMITTEE

Recommendation 2.4: The Board should establish a nomination committee.

The IEL Board established a Nomination & Remuneration Committee in February 2007. In addition to its remuneration and general human resource responsibilities, that Committee is responsible for advising the IFN Boards on the composition of the Boards and their Committees, as well as reviewing the performance of the Boards, their Committees and individual Directors. The Committee met six times throughout the 2012 financial year. The members of the Committee and their attendance at Committee meetings are outlined in the Directors' Report. The Committee was composed solely of Independent Directors. The Committee sought advice from independent advisers, as necessary.

The Nomination & Remuneration Committee Charter sets out the Committee's roles and responsibilities, composition, membership requirements and operational procedures. A summary of the Charter is available on Infigen's website. The Charter is reviewed annually by the Committee and the Board.

The IEL Nomination & Remuneration Committee will from time to time carry out, on behalf of IEBL and IERL, similar activities as the Committee is authorised by its Charter to carry out for IEL. Accordingly, the IEL Nomination & Remuneration Committee will provide advice and recommendations regarding relevant nomination and remuneration matters to the Boards of IEBL and IERL. It is intended 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.

The ASX Principles recommend that the Committee should have at least three members. From 1 July 2011 to 3 August 2011, the Committee only had two members, with both being Independent Directors. On 4 August 2011, a further Independent Director was appointed to the Committee such that the Committee was composed of three Independent Directors for the remainder of the financial year.

From time to time, the Chairman, in conjunction with the Nomination & Remuneration Committee, assesses the relevant skills and experience of Directors to determine whether it would be of benefit and appropriate for the Infigen group to appoint an additional Director(s) to the IFN Boards. As per previous Director searches undertaken by the Nomination & Remuneration Committee, any search for additional Directors would likely involve an assessment of the skills and experience of the then current Directors on the IFN Boards and any of those skill and experience areas that required strengthening and/or complementing. Previously an external recruitment adviser undertook a search on behalf of the IFN Boards, including focusing on candidates with energy industry and financial expertise. Candidates were short-listed by the external recruitment adviser in conjunction with the IFN Boards, interviewed initially by the external recruitment adviser and subsequently by the then current IFN Board Directors, followed by further referee and background reviews undertaken by the external recruitment adviser. It is expected that a similar nomination and appointment process would be followed for any additional IFN Board Directors. The Nomination & Remuneration Committee would also assess any Director nominations from substantial securityholders.

The skills, experience and areas of expertise of the current IFN Board Directors are set out in the table below. The IFN Boards are aiming to achieve a mix of skills and experience relating to the energy industry and associated areas of infrastructure, financing and government and regulatory affairs.

Directors	Skills, experience, areas of expertise
Mike Hutchinson	Engineering, communications, transportation, government, regulation, infrastructure, energy networks, wind energy
Philip Green	Engineering, accounting, global utilities, renewable energy and infrastructure
Fiona Harris	Commerce, accounting, mergers & acquisitions, governance, energy utilities, including generation, transmission, distribution and retail
Ross Rolfe AO	Energy generation (including renewable generation), development and financing, government, energy retail, infrastructure, resources, manufacturing
Miles George	Engineering, renewable energy development, financing, infrastructure

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

The Nomination & Remuneration Committee did not undertake an annual Board review in the 2012 financial year. With new Independent Directors appointed to the IFN Boards in June and September 2011, and a further Independent Director retiring in November 2011, the Nomination & Remuneration Committee determined that a Board, Committee and Director performance review would add greater value after the Directors on the newly composed Boards and Committees had sufficient time working together. The Nomination & Remuneration Committee has engaged an independent consultant to assist the Committee to undertake a Board effectiveness review in the first half of the 2013 financial year. It is Board and Committee practice that individual Directors do not participate in the review of their own performance, nor participate in any vote regarding their election, re-election or Committee membership.

In relation to Directors who are due for re-election at the Annual General Meeting, the Nomination & Remuneration Committee considers the performance of the relevant Directors and provides a recommendation to the IEL and IEBL Boards.

For new Directors, induction arrangements make available to the new Director sufficient information and advice to allow them to participate fully and actively in Board decision-making at the earliest opportunity.

ASX Principle 3: Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making

CODE OF CONDUCT

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 have 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 Infigen's activities; and
- employees are aware of their responsibilities to Infigen under their contract of employment and act in the interests of Infigen, including in an ethical and professional manner.

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

- avoid conflicts of interest between their personal interests and those of Infigen and its securityholders;
- not take advantage of opportunities arising from their position for personal gain or in competition with Infigen; and
- comply with the Securities Trading Policy and other corporate 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 Infigen policies. Infigen promotes and encourages ethical behaviour and provides protection for those who report violations. A summary of the Code of Conduct is available on Infigen's website.

Infigen 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 the Code include assuring all stakeholders that Infigen will conduct its affairs in accordance with ethical values and practices. The Code of Conduct specifically requires all employees to act lawfully, diligently, fairly and with honesty, integrity and respect.

Infigen aims to provide a work environment in which all employees may excel regardless of race, religion, age, disability, gender, sexual preference or marital status. In this regard, Infigen maintains policies relating to diversity and workplace practices, including occupational health and safety.

SECURITIES TRADING POLICY

The IFN Boards have adopted a Securities Trading Policy which regulates the manner in which Directors and employees may 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 Infigen.

The policy specifies trading windows as the periods during which trading in IFN 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 Infigen. 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 securities, as well as the details of any subsequently completed trades. All trading by Directors in IFN securities is advised to the market in accordance with the Listing Rules.

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

DIVERSITY POLICY

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.

The IFN Boards have adopted a Diversity Policy which includes requirements for Infigen to establish measurable objectives for achieving gender diversity and to assess annually both the objectives and progress in achieving them. During preparation of the policy, the Board and management actively sought input from all employees to help define the meaning and value of diversity as it related to Infigen.

At Infigen, we respect those differences that people bring to the organisation that have an influence on individual identities and perspectives, including gender, ethnicity, religious beliefs, age, sexuality, disability and family responsibilities. We aim to promote a culture that encourages diversity, where our employees benefit from exchanging ideas and learning from each other in order to capture the benefits of diverse backgrounds, experiences and perspectives.

Infigen has developed strategies and programs to monitor and promote diversity within the workplace. Processes have been implemented to monitor, review and report to the Nomination & Remuneration Committee and the IFN Boards regarding diversity within Infigen.

A summary of the Diversity Policy is available on Infigen's website.

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.

The Diversity Policy includes requirements for Infigen to establish measurable objectives for achieving diversity, including gender diversity. The measurable objectives for achieving gender diversity and the progress towards achieving those objectives are included in the Sustainability Report within the Annual Report.

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.

The relevant information for Infigen is included in the Sustainability Report within the Annual Report.

CORPORATE GOVERNANCE STATEMENT CONTINUED

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

Recommendation 4.1: The board should establish an audit committee.

The IFN Boards have each established an Audit, Risk & Compliance Committee. These are responsible for advising their respective Board on internal controls and appropriate standards for the financial management of Infigen. In practice the Committees generally hold concurrent meetings. The IFN Boards have delegated the responsibility for overseeing the establishment and maintenance of Infigen's system of internal control to the Audit, Risk & Compliance Committees.

The Committees oversee the financial reporting process, the systems of internal control and risk management, the audit process and Infigen's processes for monitoring compliance with laws and regulations.

The Audit, Risk & Compliance Committees oversee the implementation of the system of risk management at Infigen, ensuring that management has a process in place so that risks are identified, assessed and properly managed. The Committees also monitor compliance by Infigen with its various licensing and other obligations, including specific obligations associated with managed investment scheme requirements.

On behalf of the IFN Boards, the Committees review the performance of the external auditor and monitor any non-audit services proposed to be provided to Infigen by the external auditor to ensure external audit independence is maintained.

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**
- **has at least three members.**

Throughout the 2012 financial year, each Audit, Risk & Compliance Committee of the IFN Boards comprised only Non-Executive Directors, with a majority being Independent Directors. The Chair of the Committees, Ms Harris, was not the Chair of the IFN Boards.

At the date of this report, each Committee comprises three Non-Executive Directors, with two being Independent Directors. The non-independent Director on the Committee is a nominee of a substantial securityholder. In the interests of a separation of roles and having regard to the size of the IFN Boards and to skills and experience, it was preferred to have a non-independent Director on the Committee than having the Board Chairman continue to serve on the Committee. Further, the IFN Boards assess Audit, Risk & Compliance Committee outcomes carefully to ensure that they are in the interest of the Infigen group as a whole, and as such no issues in that respect have arisen.

There were seven formal Audit, Risk & Compliance Committee meetings held during the 2012 financial year. The attendance of Committee members at meetings is set out in the Directors' Report.

All Committee members possessed the requisite financial expertise and experience necessary to undertake the responsibilities of the Audit, Risk & Compliance Committees. All members have an understanding of the energy industry and extensive accounting/finance knowledge and experience. Further details of the experience and qualifications of each Committee member are set out in the Directors' Report.

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

The IFN Boards have adopted a Charter for each of the Audit, Risk & Compliance Committees that sets out the role and responsibilities, composition, structure, membership requirements and other relevant procedures for the Committees. A summary of the Charter is available in the Corporate Governance section on Infigen's website.

The Committees meet periodically and report to the IFN Boards following each Committee meeting, including in respect of recommendations of the Committees that require IFN Board consideration.

AUDIT GOVERNANCE

Infigen's external auditor is PricewaterhouseCoopers, appointed by securityholders at the 2006 Annual General Meeting. 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 2012 financial year was Darren Ross and the current audit review partner is Michael O'Donnell.

The external auditor routinely attends 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. The Chair of the Committee liaises with the auditor outside formal meetings, as necessary. 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 it has maintained its independence and has complied with applicable independence standards. The Committees annually review the independence of the external auditor and at least confirm 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

The external auditor is not permitted to carry out certain types of non-audit services for Infigen, 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, any use of the external audit firm must 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 Note 9 accompanying the Financial Statements in the Annual Report.

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

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.

Infigen has adopted a Continuous Disclosure Policy which is periodically reviewed. That policy aims to ensure that all securityholders and potential investors have equal and timely access to material information concerning Infigen unless it falls within the scope of the exemptions contained in Listing Rule 3.1A.

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 frequently involved in discussing disclosure obligations and reviewing disclosure material in respect of significant Infigen matters. Each Board meeting includes explicit consideration of any potentially disclosable information.

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 that is or may be material, making disclosures to the ASX and issuing media releases and other written public statements on behalf of Infigen.

From time to time Infigen conducts analyst and investor briefings and in these situations the following protocols apply:

- no price sensitive information will be disclosed at those 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 Infigen's website.

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

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

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.

Infigen has a formal Communications Policy that aims to promote effective communication with all stakeholders. A summary of the policy is available in the Corporate Governance section on Infigen's website. An extensive program of information is made available to securityholders and potential investors throughout the year, including via ASX/market releases, direct mailing, electronic alerts, briefings, presentations and via Infigen's website.

Consistent with Infigen's Continuous Disclosure Policy, Infigen is committed to communicating with its securityholders effectively and promptly to provide ready access to information relating to Infigen. Infigen's website (www.infigenenergy.com) provides access to information for securityholders and other potential investors, including:

- the Board, management and corporate governance framework and policies;
- the portfolio of operating assets and development pipeline;
- copies of all market announcements and media releases from Infigen;
- Annual Reports, other half and full year financial reporting, and relevant investor information regarding distributions and taxation;
- information regarding sustainability and renewable energy, including our commitment to safety, the environment and the communities in which we participate;
- a link to the website of Infigen's security registry, Link Market Services Limited; and
- a subscriber facility where participants receive updated information alerts regarding Infigen.

Infigen 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 Infigen.

Advance notice of significant group briefings and details regarding the various methods to access and participate in these briefings are circulated broadly. Records are kept in relation to investor and analyst briefings.

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

Infigen's external auditor 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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

ASX Principle 7: Recognise and manage risk

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

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

Infigen has adopted a Risk Management Policy consistent with International Standard ISO 31000. Infigen is committed to ensuring that its system of risk oversight, management and internal control is consistent with its business strategy and sound commercial practice. Infigen aims to ensure its culture and processes facilitate realisation of Infigen's business objectives in tandem with appropriate identification and management of business risks.

In relation to occupational health and safety risks, Infigen has established regional safety and sustainability committees to ensure implementation of appropriate safety procedures and a system of ongoing environmental and safety improvement programs. In particular, the IFN Boards and management aim to promote an internal culture whereby the health and safety of employees, contractors and visitors to Infigen offices and asset sites is paramount.

The IFN Boards are ultimately responsible for overseeing and managing the material risks of Infigen. 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 Infigen and obtaining reports from the Risk Manager and other senior managers regarding the status of any key risk exposures or incidents. This enables the Committees to ensure the IFN Boards are informed of all material business risks. The Audit, Risk & Compliance Committees have also implemented a robust internal audit program.

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

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.

Infigen's Risk Manager is responsible for the ongoing development and maintenance of an Enterprise Risk Management (ERM) framework consistent with International Standard ISO 31000. The Audit, Risk & Compliance Committees receive routine and exception reports on material business risks. The Risk Management Policy and ERM framework define the processes and responsibilities for managing business risks. As part of the ERM framework, all senior managers prepare and maintain functional risk registers. A principal aim of the ERM framework is to engage management to accept direct accountability for the identification and management of the business risks and the corresponding internal controls within their areas of responsibility. Senior managers regularly monitor the effectiveness of the controls implemented to manage the business risks identified.

To ensure ongoing promotion of an ERM focused culture within Infigen, an Enterprise Risk Management Committee was established during the 2012 financial year. This Committee meets more regularly than the Audit, Risk & Compliance Committee and assesses Infigen's material risks at an enterprise level as well as conducting regular reviews of risk management policies, registers and procedures.

The material risks for Infigen's business, including operational, financial and strategic risks, are identified within the over-arching Top Risks register for the group. This Top Risks register is populated by an assessment of the business risks identified within the functional risk registers, project specific registers (eg. construction projects) and site specific risk registers for operating assets. These material business risks are actively monitored and managed. In consultation with relevant functional managers, the Top Risks register is updated by the Risk Manager and reviewed by the Enterprise Risk Management Committee at each meeting. The updated risk register is subsequently reported to and reviewed by the Audit, Risk & Compliance Committees. This process involves confirmation of the effectiveness of Infigen's management of its material business risks.

INTERNAL AUDIT

The IFN Boards have overall responsibility for Infigen's systems of internal control, supported by the Audit, Risk & Compliance Committees and management. The IFN Boards and Committees are assisted by Infigen's Internal Audit function in assessing the adequacy of the internal control system. The Audit, Risk & Compliance Committees have adopted a Charter for the Internal Audit function.

On an annual basis, and following a risk-based assessment of the group, the Internal Audit Manager prepares and presents an Internal Audit Plan to the Audit, Risk & Compliance Committees. The annual Internal Audit Plan aims to review the adequacy and effectiveness of the relevant internal control systems identified in the plan. Following completion of each Internal Audit review undertaken throughout the year, the Internal Audit Manager presents a report of the findings and recommendations at the subsequent meeting of the Audit, Risk & Compliance Committees. The Internal Audit Manager regularly liaises with the external auditor and also provides copies of Internal Audit reports to the external auditor.

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 CFO have provided written assurance to the IFN Boards 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 during the 2012 financial year. The written assurance is based on senior management reviews and sign-off, as well as enquiry by the CEO and CFO as appropriate.

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.

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

REMUNERATION COMMITTEE

Recommendation 8.1: The Board should establish a remuneration committee.

The IEL Board has established a Nomination & Remuneration Committee. The Committee met six times throughout the 2012 financial year.

The members of the Nomination & Remuneration Committee and their attendance at Committee meetings are listed in the Directors' Report.

The IEL Board has adopted a Charter for the Nomination & Remuneration Committee that sets out the Committee's roles and responsibilities, composition, membership requirements and operational procedures. A summary of the Charter is available on Infigen's website. Further information regarding the responsibilities of the Committee is outlined in the response to Recommendation 2.4.

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 2012 financial year, the IEL Nomination & Remuneration Committee was composed solely of Independent Directors and was chaired by an Independent Director.

From 1 July 2011 to 3 August 2011, the Committee only had two members. On 4 August 2011, a further Independent Director was appointed to the Committee such that the Committee was composed of three Independent Directors for the remainder of the financial year.

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

The remuneration structure and amounts paid to Non-Executive Directors, the Managing Director and senior executives for the 2012 financial year are set out in detail in the Remuneration Report.

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.

The Securities Trading Policy prohibits employees trading in IFN securities so as to limit the economic risk of an employee's holding of vested or unvested IFN securities, options over IFN securities, or performance rights associated with IFN securities.

DIRECTORS' REPORT

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

DIRECTORS

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

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

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

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

FURTHER INFORMATION ON DIRECTORS

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

Name	Particulars
Michael Hutchinson **Non-Executive Chairman of IEL, IEBL and IERL** *Appointed to IEL, IEBL and IERL on 18 June 2009* *Chairman of the Nomination & Remuneration Committee*	Mike was appointed an independent non-executive director of Infigen Energy in June 2009 and subsequently elected Chairman in November 2010. He is Chairman of the Nomination & Remuneration Committee. Mike was formerly an international transport engineering consultant and has extensive experience in the transport and communications sectors, including as a senior official with the Australian Government. Mike is currently an independent non-executive director of the Australian Infrastructure Fund Ltd. Mike has previously been an independent non-executive director of EPIC Energy Holdings Ltd, Hastings Funds Management Ltd, Westpac Funds Management Ltd, Pacific Hydro Ltd, OTC Ltd, HiTech Group Australia Ltd, the Australian Postal Corporation and the Australian Graduate School of Management Ltd.
Philip Green **Non-Executive Director of IEL, IEBL and IERL** *Appointed to IEL, IEBL and IERL on 18 November 2010* *Member of the Audit, Risk & Compliance Committee*	Philip was appointed a non-executive director of Infigen Energy in November 2010. He is a member of the Audit, Risk & Compliance Committee. Philip is a Partner of The Children's Investment Fund Management (UK) LLP (TCI), a substantial securityholder of Infigen Energy. Philip joined TCI in 2007 and his responsibilities include TCI's global utility, renewable energy and infrastructure investments. Prior to joining TCI, Philip led European Utilities equity research at Goldman Sachs, Merrill Lynch and Lehman Brothers over a 12 year period. Philip is a UK Chartered Accountant (ACA) and has a Bachelor of Science (Hons) in Geotechnical Engineering.
Fiona Harris **Non-Executive Director of IEL, IEBL and IERL** *Appointed to IEL, IEBL and IERL on 21 June 2011* *Chairman of the Audit, Risk & Compliance Committee* *Member of the Nomination & Remuneration Committee*	Fiona was appointed an independent non-executive director of Infigen Energy in June 2011. Fiona is Chairman of the Audit, Risk & Compliance Committee and also a member of the Nomination & Remuneration Committee. Fiona is Chairman of Barrington Consulting Group and was previously a National Director of the Australian Institute of Company Directors. For the past seventeen years she has been a professional non-executive director. Fiona is currently a Director of Altona Mining Limited, Aurora Oil & Gas Limited and Sundance Resources Limited. Within the last three years Fiona has been a Director of listed companies Territory Resources Limited and Vulcan Resources Limited. Fiona holds a Bachelor of Commerce degree and is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

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

DIRECTORS' INTERESTS IN IFN STAPLED SECURITIES

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

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

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

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

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

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

DIRECTORS' REPORT CONTINUED

DIRECTORS' MEETINGS

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

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

A = Number of meetings attended.

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

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

COMPANY SECRETARIES

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

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

PRINCIPAL ACTIVITIES

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

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

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

DISTRIBUTIONS

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

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

REVIEW OF OPERATIONS

Revenue and result

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

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

US Business

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

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

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

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

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

Australian Business

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

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

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

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

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

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

CHANGES IN STATE OF AFFAIRS

On 17 October 2011, Practical Completion occurred at Infigen's sixth wind farm in Australia, the 48.3 MW Woodlawn wind farm in New South Wales comprising 23 turbines.

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

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

SUBSEQUENT EVENTS

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

DIRECTORS' REPORT CONTINUED

FUTURE DEVELOPMENTS

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

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

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

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

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

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

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

ENVIRONMENTAL REGULATIONS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

PROCEEDINGS ON BEHALF OF INFIGEN

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

FORMER PARTNERS OF THE AUDIT FIRM

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

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

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

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

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

ROUNDING

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

REMUNERATION REPORT

Dear Securityholder,

We are pleased to present the 2012 Remuneration Report.

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

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

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

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

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

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

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

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

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

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

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

Yours faithfully

Michael Hutchinson
Chairman

Nomination & Remuneration Committee

DIRECTORS' REPORT CONTINUED

Remuneration Report – Executive Summary

The Nomination & Remuneration Committee has:

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

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

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

Remuneration Framework

Infigen's remuneration framework aims to ensure remuneration:

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

A. REMUNERATION OF NON-EXECUTIVE DIRECTORS

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

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

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

Board/Committee Fees

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT CONTINUED

B. REMUNERATION OF SENIOR MANAGEMENT

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

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

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

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

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

Fixed Pay

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

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

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

Short Term Incentives (STIs)

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

KPIs for the CEO are determined by the Board.

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

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

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

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

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

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

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

Long Term Incentives (LTIs)

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

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

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

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

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

	Performance Rights
Tranche 1	Relative TSR
Tranche 2	EBITDA/Capital

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

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

Tranche 1 performance rights will vest progressively as follows:

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

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

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

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

DIRECTORS' REPORT CONTINUED

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

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

		30 June 2010	30 June 2011	30 June 2012
Closing security price	(cents)	0.715	0.35	0.225
Revenue	(AUD'000)	263,848	267,579	266,577
EBITDA	(AUD'000)	149,125	145,569	140,513
Capital Base	(AUD'000)	1,917,251	1,589,945	1,468,845
EBITDA to capital base	(%)	7.78	9.16	8.48
Target	(%)	19.22	11.29	9.26

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

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

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

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

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

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

Separation benefits

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

Infigen Energy – Executive remuneration details

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

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

TABLE 1: Cash based remuneration received by Executive KMP

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

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

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

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

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

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

DIRECTORS' REPORT CONTINUED

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

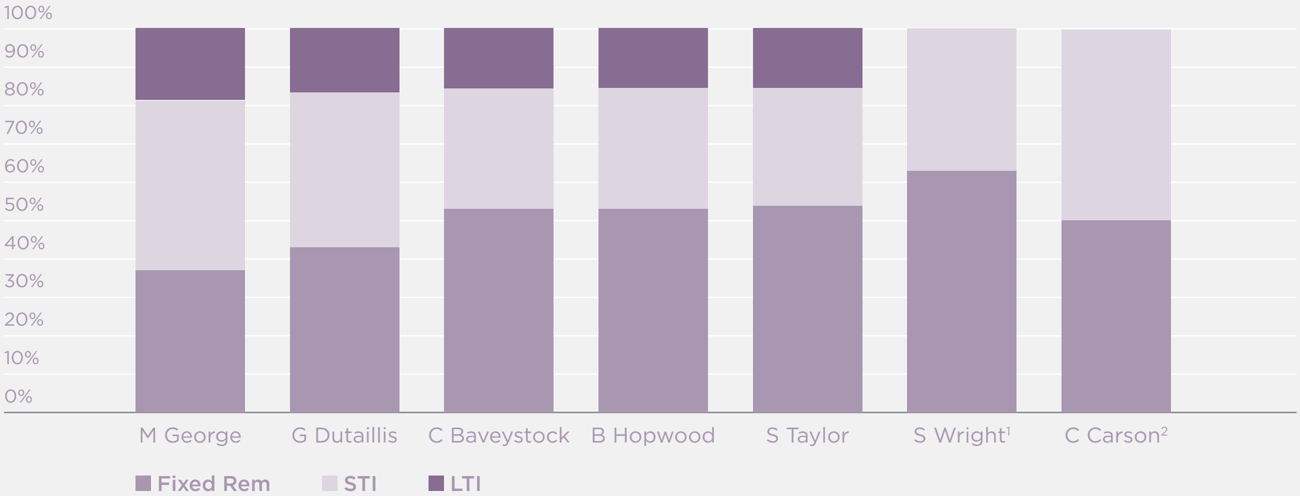
The Statutory Remuneration Data table below shows accounting expensed amounts that reflect a portion of possible future remuneration arising from prior and current year LTI grants. Tranche 2 of the FY09 LTI grant expired in FY12 and therefore the statutory table includes a significant reversal of accruals.

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

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

TABLE 3: Remuneration Components as a Proportion of Total Remuneration

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



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

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

TABLE 4: Value of Remuneration that vests in future years

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

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

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

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

Legacy Performance Rights

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

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

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

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

DIRECTORS' REPORT CONTINUED

TABLE 5: Outstanding Performance Rights

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

Executive	Granted number	Grant date	Value per performance right	Total value of performance rights granted	Estimated vesting date	
			($)	($)	Tranche 1	Tranche 2
M George	556,463	27/03/2009	0.6255	348,067	31/12/2011#	Expired
	807,128	30/09/2010	0.5675	458,045	30/06/2013	30/06/2013
	917,374	18/01/2012	0.173	158,706	30/06/2014	30/06/2014
G Dutaillis	289,361	27/03/2009	0.6255	180,995	31/12/2011#	Expired
	398,182	30/09/2010	0.5675	225,968	30/06/2013	30/06/2013
	463,384	18/01/2012	0.173	80,165	30/06/2014	30/06/2014
B Hopwood	86,808	27/03/2009	0.6255	54,298	31/12/2011#	Expired
	117,736	30/09/2010	0.5675	66,815	30/06/2013	30/06/2013
	309,966	18/01/2012	0.173	53,624	30/06/2014	30/06/2014
C Baveystock	309,966	18/01/2012	0.173	53,624	30/06/2014	30/06/2014
S Taylor	87,132	30/09/2010	0.5675	49,447	30/06/2013#	30/06/2013#
	256,604	30/09/2010	0.5675	145,623	30/06/2013	30/06/2013
	309,966	18/01/2012	0.173	53,624	30/06/2014	30/06/2014

Performance period has entered the final retest year.

Legacy Options

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

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

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

TABLE 6: Outstanding Options

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

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

1 These Options are now in the 12 month retest period

Executive Employment Contracts

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

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

Employment contracts relating to the Executives contain the following conditions:

Duration of contract	Open-ended
Notice period to terminate the contract	For M George, G Dutaillis and S Taylor, their employment is able to be terminated by either party on 6 months' written notice. For B Hopwood, C Baveystock, C Carson and S Wright their employment is able to be terminated by either party on 3 months' written notice. Infigen may elect to pay an amount in lieu of completing the notice period, calculated on the base salary as at the termination date.
Termination payments provided under the contract	Upon termination, any accrued but untaken leave entitlements, in accordance with applicable legislation, are payable. If made redundant, a severance payment equivalent to 4 weeks base salary for each year of service (or part thereof), up to a maximum of 36 weeks.

Remuneration Advisor

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

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

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

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

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

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

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

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

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

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

On behalf of the Directors of IEL:

F Harris
Director

M George
Director

Sydney, 30 August 2012

Auditor’s Independence Declaration

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

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

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

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

PricewaterhouseCoopers

Darren Ross
Partner

30 August 2012

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

CONTENTS

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

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2012

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

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

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

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

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

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES

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

Stapled security

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

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

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

a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

b) Consolidated accounts

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

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

c) Principles of consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

(ii) Jointly controlled entities

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

(iii) Associates

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

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

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

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

d) Trade and other payables

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

1. SUMMARY OF ACCOUNTING POLICIES continued

e) Business combinations

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

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

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

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

f) Borrowings

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

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

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

g) Borrowing costs

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

h) Assets under construction

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

i) Property, plant and equipment

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

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

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

j) Derivative financial instruments

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. SUMMARY OF ACCOUNTING POLICIES continued

(i) Cash flow hedge

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

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

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

(ii) Net investment hedge

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

k) Goods and services tax (GST)

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

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

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

l) Segment reporting

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

m) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is recognised in the income statement, as part of the gain or loss on sale where applicable.

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

n) Income tax

Current tax

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

1. SUMMARY OF ACCOUNTING POLICIES continued

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

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

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

Tax consolidation

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

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

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

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

o) Intangible assets

(i) Project-related agreements and licences

Project-related agreements and licences include the following items:

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

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

(ii) Goodwill

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. SUMMARY OF ACCOUNTING POLICIES continued

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

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

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

(ii) Group as lessor

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

q) Impairment of assets

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

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

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

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

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

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

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

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

r) Cash and cash equivalents

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

s) Provisions

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

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

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

t) Distributions and dividends

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

u) Revenue recognition

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

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

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

Revenue is recognised for the major business activities as follows:

(i) Electricity sales

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

1. SUMMARY OF ACCOUNTING POLICIES continued

(ii) Lease income

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

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

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

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

(iv) Production Tax Credits (PTCs)

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

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

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

(vi) Government grants

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

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

(vii) Other income

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

v) Loans and receivables

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

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

w) Contributed equity

Ordinary shares are classified as equity.

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

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

x) Earnings per security/share

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

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

y) Fair value estimation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. SUMMARY OF ACCOUNTING POLICIES continued

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

(ii) Long service leave

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

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

(iii) Share based payments

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

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

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

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

(iv) Profit sharing and bonus plans

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

(v) Termination benefits

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

bb) Institutional equity partnerships classified as liabilities

(i) Class A members

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

(ii) Class B members

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

1. SUMMARY OF ACCOUNTING POLICIES continued

cc) Rounding of amounts

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

dd) New accounting standards and UIG interpretations

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

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

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

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

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

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

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

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

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

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

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

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

ee) Critical accounting estimates and judgments

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

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

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

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

(ii) Estimated impairment of goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. SUMMARY OF ACCOUNTING POLICIES continued

(iii) Income taxes

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

(iv) Contingent liabilities

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

(v) Institutional Equity Partnerships

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

ff) Parent entity financial information

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

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

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

(iii) Financial guarantees

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

2. SEGMENT INFORMATION

a) Segment information provided to the Board of Directors

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

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

2. SEGMENT INFORMATION continued

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

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

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

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

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

Segment EBITDA is calculated on an economic interest basis. The entity has a controlling interest in two US LLCs in which it owns more than 50% but less than 100% of the Class B interests. Under IFRS the Group fully consolidates the financial performance of these companies within its statutory results and recognises a non-controlling interest. Under economic interest basis, the non-controlling interest portion is not included in the results.

b) Segment information provided to the Board of Directors

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SEGMENT INFORMATION continued

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

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

3. REVENUE

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

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

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

4. OTHER INCOME

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

5. EXPENSES

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

1 Refer Note 19 for further details.

2 Included within fair value losses on financial instruments in year ended 2012 is an expense of $5,924,354 (2011: gain of $3,496,998) relating to an interest rate swap which does not qualify for hedge accounting. Therefore the unrealised loss from its revaluation has been taken to the profit and loss. Included within fair value losses on financial instruments in year ended 30 June 2011 is an expense of $8,638,000 relating to the termination of an interest rate swap with an early termination option. The terminated interest rate swap had previously been hedge accounted with the unrealised loss taken to reserves. The unrealised loss held in reserves was subsequently reversed upon termination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. DISCONTINUED OPERATIONS

a) Details of disposed operations

30 June 2012

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

30 June 2011

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

b) Financial performance

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

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

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

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

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

d) Cash flow information of the German disposed entities

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

6. DISCONTINUED OPERATIONS continued

e) Details of the sale of the German entities

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

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

7. INCOME TAXES AND DEFERRED TAXES

a) Income tax expense

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. INCOME TAXES AND DEFERRED TAXES continued

c) Amounts recognised directly in equity

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

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

d) Tax losses

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

e) Tax consolidation

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

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

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

f) Current tax liabilities

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

	Opening balance $'000	Charged to Income $'000	Charged to Equity $'000	Acquisitions/ disposals $'000	Closing balance $'000
Year ended 30 June 2012					
Gross deferred tax assets:					
Unused revenue tax losses	70,546	13,257	–	–	83,803
Effect of hedge movements	12,253	4,599	15,598	–	32,450
Unrealised foreign exchange loss	12,873	(5,259)	–	–	7,614
	95,672	**12,597**	**15,598**	**–**	**123,867**
Gross deferred tax liabilities:					
Depreciation	(50,182)	(9,198)	–	–	(59,380)
Unrealised foreign exchange gains	(12,500)	(89)	–	–	(12,589)
Other	(2,767)	(772)	–	–	(3,539)
	(65,449)	**(10,059)**	**–**	**–**	**(75,508)**
Total deferred tax assets	**30,223**	**2,538**	**15,598**	**–**	**48,359**

7. INCOME TAXES AND DEFERRED TAXES continued

	Opening balance $'000	Charged to Income $'000	Charged to Equity $'000	Acquisitions/ disposals $'000	Closing balance $'000
Year ended 30 June 2011					
Gross deferred tax assets:					
Unused revenue tax losses	64,265	6,281	–	–	70,546
Effect of hedge movements	26,739	(2,577)	(11,909)	–	12,253
Unrealised foreign exchange loss	6,323	(2,576)	9,126	–	12,873
	97,327	**1,128**	**(2,783)**	**–**	**95,672**
Gross deferred tax liabilities:					
Depreciation	(52,598)	2,416	–	–	(50,182)
Unrealised foreign exchange gains	(9,958)	(5,369)	2,827	–	(12,500)
Other	(2,210)	(1,084)	–	527	(2,767)
	(64,766)	**(4,037)**	**2,827**	**527**	**(65,449)**
Total deferred tax assets	**32,561**	**(2,909)**	**44**	**527**	**30,223**

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

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

8. KEY MANAGEMENT PERSONNEL REMUNERATION

a) Details of key management personnel

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

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

Other KMP of Infigen were:

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

1 Appointed 14 March 2011

2 Resigned 31 December 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8. KEY MANAGEMENT PERSONNEL REMUNERATION continued

b) Key management personnel remuneration

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

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

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

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

c) Rights, options and awards held over Infigen securities

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

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

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

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

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

1 Granted before becoming a KMP

2 Represents forfeitures due to vesting conditions not met

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

Set out below are summaries of options granted to KMP:

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

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

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

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

8. KEY MANAGEMENT PERSONNEL REMUNERATION continued

e) Security holdings in Infigen

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

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

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

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

2 Granted before becoming a KMP.

9. REMUNERATION OF AUDITORS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. TRADE AND OTHER RECEIVABLES

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

a) Past due but not impaired

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

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

b) Impairment of trade receivables

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

c) Other receivables

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

d) Foreign exchange and interest rate risk

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

e) Fair value and credit risk

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

f) Prepayments

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

11. INVENTORY

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

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

Refer to Note 35 for further information.

13. INVESTMENTS IN ASSOCIATES

Year ended 30 June 2012

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

Year ended 30 June 2011

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

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

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

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

a) Movements in carrying amounts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. INVESTMENTS IN ASSOCIATES continued

b) Summarised financial information of associates

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

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

c) Contingent liabilities of associates

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

15. INTANGIBLE ASSETS

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

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

a) Impairment tests for cash-generating units containing goodwill

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. INTANGIBLE ASSETS continued

Key assumptions for value-in-use calculations

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

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

	PRE-TAX DISCOUNT RATES	
	2012	2011
Australia	8.3% – 9.1%	9.0% – 11.0%
United States	7.0% – 7.8%	9.0% – 11.0%

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

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

Sensitivity to changes in assumptions

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

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

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

b) Project-related agreements and licences

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

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

c) Development assets

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

16. TRADE AND OTHER PAYABLES

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

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

17. BORROWINGS

	2012 $'000	2011 $'000
Current		
Secured		
At amortised cost:		
Global Facility (i)	54,466	209,465
Project finance debt – Woodlawn (ii)	1,534	–
	56,000	**209,465**
Non-current		
Secured		
At amortised cost:		
Global Facility (i)	971,083	1,021,457
Project finance debt – Woodlawn (ii)	50,985	32,742
Capitalised loan costs	(8,854)	(11,247)
	1,013,214	**1,042,952**
Total debt	**1,069,214**	**1,252,417**

a) Reconciliation of borrowings

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

b) Capitalised borrowing costs

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

	2012	2011
Weighted average capitalisation rate on funds borrowed	N/A	6.0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. BORROWINGS continued

c) Borrowings by currency

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

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

(i) Global Facility

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

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

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

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

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

Excluded Companies

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

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

Amounts outstanding under the Global Facility

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

17. BORROWINGS continued

Principal repayments under the Global Facility

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

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

Interest payments

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

Financial covenants

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

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

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

Review events

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

Security

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

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

Global Facility lenders have no security over Excluded Companies.

(ii) Project finance facility – Woodlawn Wind Pty Ltd

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

Principal repayments under the Project finance facility

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

Interest payments

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

Security

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. PROVISIONS

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

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

19. INSTITUTIONAL EQUITY PARTNERSHIPS CLASSIFIED AS LIABILITIES

Nature of institutional equity partnerships

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

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

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

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

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

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

Recognition of institutional equity partnerships

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

Classification of institutional equity partnerships

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

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

19. INSTITUTIONAL EQUITY PARTNERSHIPS CLASSIFIED AS LIABILITIES continued

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

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

1 This comprises the following tax-effected components:

	2012 $'000	2011 $'000
Total taxable income before accelerated tax depreciation	41,407	47,761
Accelerated tax depreciation	(42,686)	(62,697)
Value of tax losses offset against Class A liability	**(1,279)**	**(14,936)**

20. CONTRIBUTED EQUITY

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. CONTRIBUTED EQUITY continued

(i) Distribution reinvestment plan

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

21. RESERVES

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

a) Foreign currency translation reserve

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

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

b) Hedging reserve

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

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

21. RESERVES continued

c) Acquisition reserve

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

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

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

d) Share-based payment reserve

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

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

22. RETAINED EARNINGS

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

23. EARNINGS PER SECURITY/SHARE

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

	2012 Cents per security	2011 Cents per security
Parent entity share		
From continuing operations	(7.2)	(3.3)
From discontinued operations	–	(4.6)
Total basic and diluted earnings per share[1]	**(7.2)**	**(7.9)**
Stapled security		
From continuing operations	(7.3)	(3.4)
From discontinued operations	–	(4.6)
Total basic and diluted earnings per security[1]	**(7.3)**	**(8.0)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. EARNINGS PER SECURITY/SHARE continued

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

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

	2012 $'000	2011 $'000
Earnings attributable to the parent entity shareholders		
From continuing operations	(55,195)	(25,105)
From discontinued operations	–	(34,985)
Total earnings attributable to the parent entity shareholders	**(55,195)**	**(60,090)**
Earnings attributable to the stapled security holders		
From continuing operations	(55,877)	(26,009)
From discontinued operations	–	(34,985)
Total earnings attributable to the stapled security holders	**(55,877)**	**(60,994)**

c) Weighted average number of shares used as the denominator

	2012 No.'000	2011 No.'000
Weighted average number of securities/ shares for the purposes of basic earnings per security/share	762,266	761,341
Weighted average number of securities/ shares for the purposes of diluted earnings per security/share	762,266	761,341

24. DISTRIBUTIONS PAID

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

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

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

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

25. SHARE-BASED PAYMENTS

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

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

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

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

Performance conditions of awards granted under the Equity Plan

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. SHARE-BASED PAYMENTS continued

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

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

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

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

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

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

25. SHARE-BASED PAYMENTS continued

Fair value of performance rights and options granted

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

The fair values of performance rights, performance units and options at grant date are determined using market prices and a model that takes into account the exercise price, the term of the performance right, unit or option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right or option.

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

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

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

b) Expenses arising from share based payment transactions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. COMMITMENTS FOR EXPENDITURE

a) Capital expenditure commitments

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

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

b) Lease commitments

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

27. CONTINGENT LIABILITIES

Contingent liabilities

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

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

Kumeyaay dispute

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

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

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

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

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

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

27. CONTINGENT LIABILITIES continued

Allegheny, GSG, Bear Creek and Mendota Hills disputes

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

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

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

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

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

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

Disposal of businesses

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

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

Deed of Cross Guarantee

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

28. LEASES

Operating leases

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

	2012 $'000	2011 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not later than 1 year	8,010	8,382
Later than 1 year and not later than 5 years	31,114	29,988
Later than 5 years	124,473	123,835
	163,597	**162,205**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. SUBSIDIARIES

	Name of entity	Country of incorporation	OWNERSHIP INTEREST 2012 %	2011 %
	Parent entity			
*	Infigen Energy Limited	Australia		
	Other stapled entities			
	Infigen Energy (Bermuda) Limited	Bermuda		
	Infigen Energy Trust	Australia		
	Subsidiaries of the parent and other stapled entities			
	Allegheny Ridge Wind Farm LLC	USA	100%[1]	100%[1]
	Aragonne Wind LLC	USA	100%[1]	100%[1]
	Aragonne Wind Investments LLC	USA	100%[1]	100%[1]
	Bodangora Wind Farm Pty Ltd	Australia	100%	100%
	Blue Canyon 1 Member LLC	USA	100%	100%
	Buena Vista Energy LLC	USA	100%[1]	100%[1]
*	Capital East Solar Pty Limited	Australia	100%	–
*	Capital Wind Farm 2 Pty Limited	Australia	100%	100%
*#	Capital Wind Farm Holdings Pty Limited	Australia	100%	100%
*	Capital Wind Farm (BB) Trust	Australia	100%	100%
	Caprock Wind LLC	USA	100%[1]	100%[1]
	Caprock Wind Investments LLC	USA	100%[1]	100%[1]
	Caprock Wind Member LLC	USA	100%	100%
	CCWE Holdings LLC	USA	67%[1]	67%[1]
	Cedar Creek Wind Energy LLC	USA	67%[1]	67%[1]
	Cedar Creek Wind 1 Member LLC	USA	100%	100%
	Cherry Tree Wind Farm Pty Ltd	Australia	100%	100%
	Combine Hills 1 Member LLC	USA	100%	100%
	Crescent Ridge Holdings LLC	USA	75%[1]	75%[1]
	Crescent Ridge LLC	USA	75%[1]	75%[1]
*	CS CWF Trust	Australia	100%	100%
	CS Walkaway Trust	Australia	100%	100%
*	Flyers Creek Wind Farm Pty Ltd	Australia	100%	100%
*	Forsayth Wind Farm Pty Limited	Australia	100%	100%
	GSG LLC	USA	100%[1]	100%[1]
	IFN Crescent Ridge LLC	USA	100%	100%
	Infigen Energy Management Holdings LLC	USA	100%	100%
*	Infigen Energy Europe Pty Limited	Australia	100%	100%
*	Infigen Energy Europe 2 Pty Limited	Australia	100%	100%
*	Infigen Energy Europe 3 Pty Limited	Australia	100%	100%
*	Infigen Energy Europe 4 Pty Limited	Australia	100%	100%
*	Infigen Energy Europe 5 Pty Limited	Australia	100%	100%
*	Infigen Energy Germany Holdings Pty Limited	Australia	100%	100%
*	Infigen Energy Germany Holdings 2 Pty Limited	Australia	100%	100%
*	Infigen Energy Germany Holdings 3 Pty Limited	Australia	100%	100%
	Infigen Energy Verwaltungs GmbH	Germany	100%	100%
^	Infigen Energy (Niederrhein) Limited	UK	100%	100%
^	Infigen Energy (Eifel) Ltd	UK	100%	100%
	Infigen Energy GmbH	Germany	100%	100%
	Infigen Energy Holdings Sarl	Luxembourg	100%	100%
	Infigen Energy Germany Holdings Sarl	Luxembourg	100%	100%
	Infigen Energy Vest Holdings Sarl	Luxembourg	100%	100%
^	Infigen Energy Gesa Holdings Sarl	Luxembourg	100%	100%

29. SUBSIDIARIES continued

	Name of entity	Country of incorporation	OWNERSHIP INTEREST 2012 %	2011 %
^	Infigen Energy Nor Holdings Sarl	Luxembourg	100%	100%
	Infigen Energy US LLC	USA	100%	100%
*	Infigen Energy T Services Pty Limited	Australia	100%	100%
*	Infigen Energy Custodian Services Pty Limited	Australia	100%	100%
*	Infigen Energy Development Holdings Pty Limited	Australia	100%	100%
*	Infigen Energy Development Pty Ltd	Australia	100%	100%
*	Infigen Energy Services Holdings Pty Limited	Australia	100%	100%
*	Infigen Energy Services Pty Limited	Australia	100%	100%
*	Infigen Energy RE Limited	Australia	100%	100%
*	Infigen Energy Investments Pty Limited	Australia	100%	100%
*	Infigen Energy Markets Pty Limited	Australia	100%	100%
*	Infigen Energy US Partnership	USA	100%	100%
	Infigen Energy US Corporation	USA	100%	100%
*	Infigen Energy (US) Pty Limited	Australia	100%	100%
*	Infigen Energy (US) 2 Pty Limited	Australia	100%	100%
*	Infigen Energy Finance (Australia) Pty Limited	Australia	100%	100%
*	Infigen Energy Finance (Germany) Pty Limited	Australia	100%	100%
	Infigen Energy Finance (Lux) Sarl	Luxembourg	100%	100%
	Infigen Energy (Malta) Limited	Malta	100%	100%
*	Infigen Energy Holdings Pty Limited	Australia	100%	100%
*	Infigen Energy Niederrhein Pty Limited	Australia	100%	100%
	Infigen Asset Management LLC	USA	100%	100%
	Infigen Management Services LLC	USA	100%	100%
	Kumeyaay Holdings LLC	USA	100%[1]	100%[1]
	Kumeyaay Wind LLC	USA	100%[1]	100%[1]
	Kumeyaay Wind Member LLC	USA	100%	100%
*	Lake Bonney Wind Power Pty Limited	Australia	100%	100%
*	Lake Bonney Wind Power 2 Pty Limited	Australia	100%	100%
*	Lake Bonney Wind Power 3 Pty Limited	Australia	100%	100%
*#	Lake Bonney Holdings Pty Limited	Australia	100%	100%
*	Lake Bonney 2 Holdings Pty Limited	Australia	100%	100%
	Mendota Hills LLC	USA	100%[1]	100%[1]
*	NPP LB2 LLC	USA	100%	100%
*	NPP Projects I LLC	USA	100%	100%
*	NPP Projects V LLC	USA	100%	100%
*	NPP Walkaway Pty Limited	Australia	100%	100%
*	NPP Walkaway Trust	Australia	100%	100%
*#	Renewable Power Ventures Pty Ltd	Australia	100%	100%
	RPV Investment Trust	Australia	100%	100%
	Sweetwater 1 Member LLC	USA	100%[1]	100%[1]
	Sweetwater 2 Member LLC	USA	100%	100%
	Sweetwater 3 Member LLC	USA	100%	100%
	Sweetwater 4-5 Member LLC	USA	100%	100%
*#	Walkaway Wind Power Pty Limited	Australia	100%	100%
*	Walkaway (BB) Pty Limited	Australia	100%	100%
	Walkaway (BB) Trust	Australia	100%	100%
*	Walkaway (OS) Pty Limited	Australia	100%	100%
	Woakwine Wind Farm Pty Ltd	Australia	100%	100%
	Wind Park Jersey Member LLC	USA	100%	100%
	Wind Portfolio I Member LLC	USA	100%	100%
	Wind Portfolio Holdings I LLC	USA	100%[1]	100%[1]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. SUBSIDIARIES continued

			Ownership interest	
	Name of entity	Country of incorporation	2012 %	2011 %
*	Woodlawn Wind Holdings Pty Limited	Australia	100%	100%
*	Woodlawn Wind Pty Ltd	Australia	100%	100%
*#	WWP Holdings Pty Limited	Australia	100%	100%
	BBWP Holdings (Bermuda) Limited	Bermuda	100%	100%
*	Infigen Energy US Holdings Pty Limited	Australia	100%	–
	Infigen Energy US Development LLC	USA	100%	–
	Infigen Energy Solar One LLC	USA	100%	–
	Pumpjack Solar I LLC	USA	100%[2]	–
	Wildwood Solar I LLC	USA	100%[2]	–
	Rio Bravo Solar I LLC	USA	100%[2]	–
	Limestone Solar I LLC	USA	100%[2]	–
	Mesquite Solar I LLC	USA	100%[2]	–
	Wildwood Solar II LLC	USA	100%[2]	–
	Tortolita Solar I LLC	USA	100%[2]	–
	Mexia Solar I LLC	USA	100%[2]	–
	Sandy Hills Solar I LLC	USA	100%[2]	–
	Mustang Solar I LLC	USA	100%[2]	–

* Denotes a member of the IEL tax consolidated group.

1 Class B Member interest.

2 Equity member interest.

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

^ Placed into voluntary liquidation during 2012.

30. DEED OF CROSS GUARANTEE

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

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

Consolidated statement of comprehensive income

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

30. DEED OF CROSS GUARANTEE continued

a) Consolidated balance sheet

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

31. ACQUISITION OF BUSINESSES

Year ended 30 June 2012

(i) Transaction with Pioneer Green Solar

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

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

Year ended 30 June 2011

(i) Transaction with National Power Partners

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. RELATED PARTY DISCLOSURES

a) Equity interests in related parties

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

b) Key management personnel disclosures

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

c) Other related party transactions

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

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

d) Parent entities

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

33. SUBSEQUENT EVENTS

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

34. NOTES TO THE CASH FLOW STATEMENTS

	2012 $'000	2011 $'000
a) Reconciliation of cash and cash equivalents		
For the purposes of the cash flow statements cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	**126,703**	**304,875**
b) Non-cash financing and investing activities		
Distribution reinvestment plan (Note 24)	–	981
	–	**981**

c) Restricted cash balances

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

35. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

35. FINANCIAL RISK MANAGEMENT continued

a) Market risks

(i) Interest rate risks

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

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

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

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

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

Outstanding pay fixed/receive floating interest rate swaps

	AVERAGE CONTRACTED FIXED INTEREST RATE		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
	2012 %	2011 %	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Fixed swap – AUD – GF	6.77	6.68	531,685	586,248	(83,594)	(31,895)
Fixed swap – AUD – Woodlawn	4.48	–	42,348	–	(1,111)	–
Fixed swap – Euro – GF	4.93	4.87	98,961	142,432	(20,365)	(16,635)
Fixed swap – US dollar – GF	5.29	5.28	301,210	346,480	(79,237)	(53,139)
			974,204	**1,075,160**	**(184,307)**	**(101,669)**

Bank debt as at balance date

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

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

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

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

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

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

Floating rate debt

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. FINANCIAL RISK MANAGEMENT continued

Fixed rate debt

	FIXED DEBT		DEBT PRINCIPAL AMOUNT		% OF DEBT HEDGED	
	2012 %	2011 %	2012 $'000	2011 $'000	2012 %	2011 %
AUD debt – GF	6.77	6.68	531,685	586,248	99	89
AUD debt – Woodlawn	4.48	–	42,348	–	81	–
EUR debt – GF	4.93	4.87	98,961	142,432	85	79
USD debt – GF	5.29	5.28	301,210	346,480	81	81
			974,204	**1,075,160**	**90**	**83**
Total debt	**6.15**	**5.61**	**1,078,067**	**1,263,664**		

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

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

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

35. FINANCIAL RISK MANAGEMENT continued

Sensitivity

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. FINANCIAL RISK MANAGEMENT continued

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

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

35. FINANCIAL RISK MANAGEMENT continued

(ii) Foreign exchange risk

Operational FX risk

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

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

Equity FX risk

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

EUR debt FX risk

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

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

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

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

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

EUR FX Forward Summary

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. FINANCIAL RISK MANAGEMENT continued

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

Sensitivity

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

A sensitivity of 10 percent has been selected.

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

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

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

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

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

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

Sensitivity

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

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

Consolidated AUD $'000	**Electricity/LGC Price +10%**	**Electricity/LGC Price -10%**
2012		
Income statement	5,110	(5,110)
2011		
Income statement	3,735	(3,735)

35. FINANCIAL RISK MANAGEMENT continued

b) Credit risk

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

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

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

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

c) Liquidity risks

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

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

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

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

	Up to 12 months $'000	1 to 5 years $'000	After 5 years $'000	Total contractual cash flows $'000
2012				
Global Facility debt	54,466	249,256	721,827	**1,025,549**
Project finance debt – Woodlawn	1,534	50,985	–	**52,519**
Interest rate swap payable – Global Facility	35,936	109,209	53,573	**198,718**
Interest rate swap payable – Woodlawn	1,153	225	929	**2,307**
Interest rate cap receivable	(723)	–	(297)	**(1,020)**
Covered Forward FX Contract	3,605	–	–	**3,605**
Current payables	41,234	–	–	**41,234**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. FINANCIAL RISK MANAGEMENT continued

	Up to 12 months $'000	1 to 5 years $'000	After 5 years $'000	Total contractual cash flows $'000
2011				
Global Facility debt	209,465	295,370	726,087	**1,230,922**
Project finance debt – Woodlawn	–	10,429	22,313	**32,742**
Interest rate swap payable	35,463	58,943	17,314	**111,720**
Interest rate cap receivable	(19)	(958)	(1,198)	**(2,175)**
Current payables	43,200	–	–	**43,200**

d) Fair value measurements

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

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

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 2012.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2012				
Assets				
EUR FX Forward Cover option	–	3,242	–	3,242
Interest rate cap – Woodlawn	–	579	–	579
Total assets	**–**	**3,821**	**–**	**3,821**
Liabilities				
EUR FX Forward Contract	–	6,846	–	6,846
Interest rate swaps – Global Facility	–	183,196	–	183,196
Interest rate swaps – Woodlawn	–	1,111	–	1,111
Total liabilities	**–**	**191,153**	**–**	**191,153**
2011				
Assets				
Interest rate cap	–	1,595	–	1,595
Total assets	**–**	**1,595**	**–**	**1,595**
Liabilities				
Interest rate swaps	–	101,669	–	101,669
Total liabilities	**–**	**101,669**	**–**	**101,669**

35. FINANCIAL RISK MANAGEMENT continued

e) Capital risk management

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

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

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

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

Leverage ratio – Net Debt/EBITDA[1]

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

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

36. INTERESTS IN JOINT VENTURES

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

37. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

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

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

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

b) Guarantees entered into by the parent entity

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

c) Contingent liabilities of the parent entity

Disposal of businesses

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

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

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

e) Deed of Cross Guarantee

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

DIRECTORS' DECLARATION

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

a) the financial statements and notes set out on pages 60 to 114 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

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the 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:

F Harris
Director

M George
Director

Sydney, 30 August 2012

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Auditor's opinion
In our opinion:

(a) the financial report of Infigen Energy Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report
We have audited the remuneration report included in pages 47 to 57 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

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

PricewaterhouseCoopers

Darren Ross
Partner

30 August 2012

ADDITIONAL INVESTOR INFORMATION

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% 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 18 September 2012.

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 18 September 2012 is 762,265,972 and the number of holders of these stapled securities is 23,656.

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	6 July 2012	249,603,481	32.74
Kairos Fund Limited	5 November 2009	56,000,000	6.98
Leo Fund Managers Limited	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 Infigen 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.

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.

ON-MARKET SECURITY BUY-BACK

There is no current on-market buy-back of IFN stapled securities.

DISTRIBUTION OF IFN STAPLED SECURITIES

The distribution of IFN stapled securities amongst IFN securityholders on the register as at 18 September 2012 is set out below.

Category	Securityholders	Securities
1 – 1,000	9,638	4,525,088
1,001 – 5,000	9,494	24,307,083
5,001 – 10,000	2,023	15,205,073
10,001 – 100,000	2,294	62,546,750
100,001 – and over	188	655,681,978
Total	**23,637**	**762,265,972**

As at 18 September 2012, the number of securityholders on the register holding less than a marketable parcel of IFN stapled securities was 12,582.

TWENTY LARGEST IFN SECURITYHOLDERS

The 20 largest IFN securityholders on the register as at 18 September 2012 are set out below.

		IFN STAPLED SECURITIES HELD	
Rank	Substantial IFN Securityholder	Number	Percentage
1	HSBC Custody Nominees (Australia) Limited	307,173,686	40.30%
2	HSBC Custody Nominees (Australia) Limited – A/C 3	59,091,743	7.75%
3	HSBC Custody Nominees (Australia) Limited – GSCO ECA	49,668,518	6.52%
4	National Nominees Limited	40,953,607	5.37%
5	J P Morgan Nominees Australia Limited	32,152,297	4.22%
6	Citicorp Nominees Pty Limited	27,224,455	3.57%
7	UBS Nominees Pty Ltd	17,224,312	2.26%
8	JP Morgan Nominees Australia Limited	15,146,072	1.99%
9	Credit Suisse Securities (Europe) Ltd	14,000,000	1.84%
10	Bond Street Custodians Ltd	11,560,000	1.52%
11	HSBC Custody Nominees (Australia) Limited – A/C 2	10,859,895	1.42%
12	BNP Paribas Nominees Pty Ltd	5,388,380	0.71%
13	UBS Wealth Management Australia Nominees Pty Ltd	4,519,690	0.59%
14	Mr Trevor Yuen	3,047,664	0.40%
15	Mr Paul Frederick Bennett	3,039,532	0.40%
16	ABN AMRO Clearing Sydney Nominees Pty Ltd	2,908,170	0.38%
17	CS Fourth Nominees Pty Ltd	1,617,155	0.21%
18	Cheryl Babcock	1,365,420	0.18%
19	QIC Limited	1,363,674	0.18%
20	Chriswall Holdings Pty Ltd	1,300,000	0.17%
Total Top 20		**609,604,270**	**79.97%**
Total of Other Securityholders		**152,661,702**	**20.03%**
Grand Total of IFN Stapled Securities		**762,265,972**	**100.00%**

GLOSSARY

ASX	Australian Securities Exchange Limited (ABN 98 008 624 691) or Australian Securities Exchange as the context requires
AWEA	American Wind Energy Association, a trade association representing wind power project developers, equipment suppliers, services providers, parts manufacturers, utilities, researchers, and others involved in the wind industry. Infigen is a member. www.awea.org
CAPACITY	The maximum power that a wind turbine was designed to 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 period
CARBON PRICE	A fixed or variable price for the right to or permit to emit carbon dioxide. The price is normally attributable to one tonne of carbon dioxide equivalent.
CEC	Clean Energy Council, the peak body representing Australia's clean energy sector. It is an industry association made up of operating member companies in the fields of renewable energy and energy efficiency. Infigen is a member. www.cleanenergycouncil.org.au
CLASS A MEMBERS	Holders of Class A membership interests in Institutional Equity Partnerships (IEPs) in relation to the US wind farms
CLASS A MEMBERSHIP INTERESTS	The interests held by Class A members which have varying economic entitlements (tax allocations and cash distributions) depending on the age of the US wind farms
CLASS B MEMBERS	Holders of Class B membership interests in Institutional Equity Partnerships (IEPs) in relation to the US wind farms
CLASS B MEMBERSHIP INTERESTS	The interests held by Class B members which have varying economic entitlements depending on the age of the US wind farms
CLEAN ENERGY FUTURE CLIMATE CHANGE PLAN	Policy of the Australian Government that encompasses a carbon pricing mechanism, which commenced on 1 July 2012
CO_2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
DISTRIBUTIONS	Distributions of cash made by Infigen to securityholders
DRP	Distribution Reinvestment Plan
EBITDA	Earnings before interest, taxes, depreciation and amortisation
FINANCIAL YEAR	A period of 12 months starting on 1 July and ending on 30 June in the next calendar year
GRID	The network of power lines and associated equipment required to deliver electricity from generators to consumers, also termed 'transmission system'
GW	Gigawatt. One billion Watts of electricity
GWH	Gigawatt hour
IEBL	Infigen Energy (Bermuda) Limited (ARBN 116 360 715)
IEL	Infigen Energy Limited (ABN 39 105 051 616)
IERL	Infigen Energy RE Limited (ACN 113 813 997) (AFSL 290 710), the responsible entity of IET
IET	Infigen Energy Trust (ARSN 116 244 118)
IFN	The code for the trading of listed IFN stapled securities on the ASX
INFIGEN	Infigen Energy, comprising IEL, IEBL, IET and their respective subsidiary entities from time to time
INFIGEN ASSET MANAGEMENT	Infigen's US asset management business
INVESTMENT LLC	Liability companies through which Infigen invests as Class B Member in the US assets

LGC	Large-scale Generation Certificate. The certificates are created by large-scale renewable energy generators and represent 1 MWh of renewable generation
LLC	Limited liability companies formed under US law
LLC AGREEMENT	A limited liability company agreement between the members of an LLC
LRET	Large-scale Renewable Energy Target – legislated Australian target effective 1 January 2011. The rate of liability for LRET is established by the Renewable Power Percentage (RPP), which is used to determine how many LGCs need to be surrendered each year. The RPP for the 2012 calendar year is 9.15%. It is equivalent to 16.8 million LGCs and represents a proportion of total estimated Australian electricity consumption for the 2012 year.
MW	Megawatt. One million Watts of electricity
MWh	Megawatt hour
OCC	Operations Control Centre, a centrally located business function within Infigen that monitors and directs the operations of Infigen's wind farms
P50	The best estimate of electricity production in a year where there is a 50% probability that a given level of electricity production will be exceeded in any year. This may also be referred to as Long Term Mean Electricity 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
PTC	Production Tax Credit: the result of the US Energy Policy Act of 1992, a tax credit that applies to wholesale electrical generators of wind energy facilities based upon the amount of electricity generated in a year
REALLOCATION DATE	The date on which tax benefits and cash distributions are shared between the Class A Members and the Class B Members, being a date which occurs when the Class A Members' target return has been achieved
REC	Renewable Energy Certificate
RET	Renewable Energy Target, comprising a Large-scale Renewable Energy Target and Small-scale Renewable Energy Scheme, to create a financial incentive for investment in renewable energy sources through the creation and sale of certificates in Australia
RPP	Renewable Power Percentage, being an annual target set by the Clean Energy Regulator designed to achieve the target of 20% electricity consumption in Australia by 2020 from renewable sources. For more information visit: ret.cleanenergyregulator.gov.au
RPS	Renewable Portfolio Standards. These programs apply for 37 US states plus the District of Columbia, and are based on a fixed quantity system whereby a renewable energy generator such as a wind farm is issued with renewable energy certificates which can be onsold to energy retailers who are required to surrender them to a state based regulator.
SECURITYHOLDER	The registered holder of an IFN stapled security
SOLAR PV	Solar photovoltaic
STAPLED SECURITY	One unit in IET, one ordinary share in IEL and one ordinary share in IEBL, stapled together to form an IFN stapled security such that the unit and those shares cannot be traded or dealt with separately
TW	Terawatt. One trillion Watts of electricity
TWH	Terawatt hour
UNIT	An ordinary unit in IET
UNITHOLDER	The registered holder of a Unit
WTG	Wind turbine generator

CORPORATE DIRECTORY

INFIGEN ENERGY

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

www.infigenenergy.com

DIRECTORS

Michael Hutchinson (Non-Executive Chairman)
Miles George (Managing Director)
Philip Green (Non-Executive Director)
Fiona Harris (Non-Executive Director)
Ross Rolfe AO (Non-Executive Director)

COMPANY SECRETARY

David Richardson

ANNUAL GENERAL MEETING

Infigen Energy's 2012 Annual General Meeting will be held at the Radisson Blu Plaza Sydney Hotel, 27 O'Connell Street, Sydney, Australia on 15 November 2012.

IFN STAPLED SECURITIES

Each stapled security in Infigen Energy, tradable on the Australian Securities Exchange under the 'IFN' code, comprises:

- one share of Infigen Energy Limited, an Australian public company;
- one share of Infigen Energy (Bermuda) Limited, a company incorporated in Bermuda; and
- one unit of Infigen Energy Trust, an Australian registered managed investment scheme.

RESPONSIBLE ENTITY FOR INFIGEN ENERGY TRUST

Infigen Energy RE Limited
Level 22, 56 Pitt Street
Sydney NSW 2000
T: +61 2 8031 9900

REGISTRY

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
T: 1300 554 474 (within Australia)
T: +61 2 8280 7111 (outside Australia)
F: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au

www.linkmarketservices.com.au

AUDITOR

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2650

DISCLAIMER

This publication is issued by Infigen Energy Limited (IEL), Infigen Energy (Bermuda) Limited (IEBL) and Infigen Energy RE Limited as responsible entity for Infigen Energy Trust (collectively Infigen). To the maximum extent permitted by law, Infigen and its respective related entities, directors, officers and employees (collectively Infigen Entities) do not accept, and expressly disclaim, any liability whatsoever (including for negligence) for any loss howsoever arising from any use of this publication or its contents. This publication is not intended to constitute legal, tax or accounting advice or opinion.

No representation, warranty or other assurance is made or given by or on behalf of the Infigen Entities that any projection, forecast, forward-looking statement or estimate contained in this publication should or will be achieved. None of the Infigen Entities or any member of the Infigen Energy group guarantees the performance of Infigen, the repayment of capital or a particular rate of return on Infigen stapled securities.

IEL and IEBL are not licensed to provide financial product advice. This publication is for general information only and does not constitute financial product advice, including personal financial product advice, or an offer, invitation or recommendation in respect of securities, by IEL, IEBL or any other Infigen Entities. Note that, in providing this publication, the Infigen Entities have not considered the objectives, financial position or needs of the recipient. The recipient should obtain and rely on its own professional advice from its tax, legal, accounting and other professional advisers in respect of the recipient's objectives, financial position or needs.

All amounts expressed in dollars ($) in this Annual Report are Australian dollars, unless otherwise specified.

www.infigenenergy.com

INFIGEN ENERGY

Notice of Annual General Meetings 2012

THURSDAY, 15 NOVEMBER 2012

Marble Room, Radisson Blu Plaza Sydney Hotel
27 O'Connell Street, Sydney

infigen

NOTICE OF

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF INFIGEN ENERGY LIMITED (ABN 39 105 051 616) (**COMPANY**)

AND

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF INFIGEN ENERGY (BERMUDA) LIMITED (ARBN 116 360 715) (**FOREIGN COMPANY**)

AND

A MEETING OF UNITHOLDERS OF INFIGEN ENERGY TRUST (ARSN 116 244 118) (**TRUST**)

ISSUED BY THE COMPANY, THE FOREIGN COMPANY AND INFIGEN ENERGY RE LIMITED (**RESPONSIBLE ENTITY**) (ABN 61 113 813 997; AFSL 290 710) AS RESPONSIBLE ENTITY OF THE TRUST

(TOGETHER, THE COMPANY, THE FOREIGN COMPANY AND THE TRUST, **INFIGEN ENERGY**).

Notice is given that the 2012 Annual General Meetings of the shareholders of the Company and the Foreign Company will be held concurrently with a meeting of unitholders of the Trust as follows:

Time: **11am (AEDT)**
Date: **Thursday, 15 November 2012**
Place: **Marble Room, Radisson Blu Plaza Sydney Hotel, 27 O'Connell Street, Sydney**

ORDINARY BUSINESS

Item 1: **Financial Report** – Company, Foreign Company and Trust

To receive and consider the combined consolidated financial report of Infigen Energy and the separate financial report of the Trust, as well as the respective reports of the Directors and Auditor for the year ended 30 June 2012.

There is no vote on this item.

Item 2: **Remuneration Report** – Company only

To adopt the Remuneration Report for the year ended 30 June 2012. The Remuneration Report is set out in the Directors' Report included within the Infigen Energy Annual Report 2012.

This is a non-binding advisory vote.

Item 3: **Director Re-election** – Company and Foreign Company only

To consider and, if thought fit, to pass the following as an ordinary resolution of the shareholders of the Company and Foreign Company:

That Michael Hutchinson, being a Director of the Company and the Foreign Company, who retires as a Director by rotation, in accordance with article 10.3 of the Constitution of the Company and bye-law 12.3 of the Bye-Laws of the Foreign Company, and being eligible offers himself for re-election, is re-elected as a Director of the Company and Foreign Company.

SPECIAL BUSINESS

Item 4: **Participation in the Infigen Energy Equity Plan by Mr Miles George** – Company, Foreign Company and Trust

To consider and, if thought fit, to pass the following as an ordinary resolution of the shareholders of each of the Company and the Foreign Company, and the unitholders of the Trust:

That approval is given for all purposes under the Corporations Act and the Listing Rules of the Australian Securities Exchange for:

(a) *the issue to Mr Miles George, Managing Director of the Company, of up to 3,455,570 performance rights under the Infigen Energy Equity Plan (**Equity Plan**); and*

(b) *the issue or transfer of, and acquisition accordingly by Mr George of, stapled securities in respect of those performance rights, all in accordance with the terms of the Equity Plan and on the basis described in the Explanatory Notes accompanying this Notice.*

Item 5: **Re-appointment of Auditor** – Foreign Company only

To consider and, if thought fit, to pass the following as an ordinary resolution of the shareholders of the Foreign Company:

That PricewaterhouseCoopers, being the current Auditor of the Foreign Company, be re-appointed as Auditor of the Foreign Company to hold office until the close of the next Annual General Meeting of the Foreign Company at a fee to be determined by the Directors.

VOTING EXCLUSION STATEMENT

Item 2:

For the purposes of sections 250R(2) and 250BD(1) of the Corporations Act 2001 (Cth), a vote must not be cast (in any capacity) by or on behalf of the Company's key management personnel (including the Directors), details of whose remuneration are included in the Remuneration Report (**KMP**) or their closely related parties, whether as a Securityholder or as a proxy except that a vote may be cast on Item 2 by a KMP, or a closely related party of a KMP, if the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on Item 2 and the vote is not cast on behalf of a KMP or a closely related party of a KMP.

If the Chairman of the Meetings is your proxy or is appointed as your proxy by default, and you do not direct your proxy how to vote in respect of Item 2 on the proxy form, you will be expressly authorising the Chairman of the Meetings to exercise your proxy even if item 2 is connected directly or indirectly with the remuneration of KMP.

The Chairman of the Meetings intends to vote undirected proxies in favour of item 2.

Item 4:

For the purposes of the ASX Listing Rules, the Company, Foreign Company and the Responsible Entity will disregard any votes cast by:

- a director of the Company, the Foreign Company or the Responsible Entity (except one who is ineligible to participate in any employee incentive scheme in relation to the Company, the Foreign Company and the Responsible Entity); and
- an associate of a director of the Company, the Foreign Company or the Responsible Entity (except an associate of a director who is ineligible to participate in any employee incentive scheme in relation to the Company, the Foreign Company and the Responsible Entity).

Mr George is the only director of the Company, the Foreign Company or the Responsible Entity who is eligible to participate in any employee incentive scheme relating to such entities and whose vote is required to be disregarded in relation to this item.

However, the Company, the Foreign Company and the Responsible Entity need not disregard a vote if:

- it is cast by a person identified above as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

For the purposes of section 250BD(1) of the Corporations Act 2001 (Cth), a vote must not be cast on Item 4 by a KMP, or a closely related party of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on Item 4 except that this voting exclusion does not apply if the KMP is the Chairman of the Meetings acting as proxy and their appointment expressly authorises the Chairman of the Meetings to exercise the proxy even if that item is connected directly or indirectly with the remuneration of KMP.

If you appoint the Chairman of the Meetings as your proxy, and you do not direct your proxy how to vote in respect of Item 4 on the proxy form, you will be expressly authorising the Chairman of the Meetings to exercise your proxy even if Item 4 is connected directly or indirectly with the remuneration of KMP.

The Chairman of the Meetings intends to vote undirected proxies in favour of Item 4.

By order of the Boards of Infigen Energy.

Dated: 10 October 2012

David Richardson
Company Secretary
Infigen Energy

NOTES:

1. In this notice:
   - **Infigen Energy Group** means the Company and each of its body corporates that is a subsidiary of the Company, the Foreign Company and each controlled entity of the Foreign Company, and the Trust and each sub-trust of the Trust.
   - **Securityholders** means the shareholders of the Company and the Foreign Company and the unitholders of the Trust.
2. On a show of hands, every person present and qualified to vote has one vote and if one proxy has been appointed, that proxy will have one vote on a show of hands. Under the Corporations Act, if a Securityholder appoints more than one proxy, neither proxy may vote on a show of hands, but both proxies will be entitled to vote on a poll.
3. On a poll:
   - in the case of a resolution of the Company or the Foreign Company, each Securityholder 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 Securityholder, has one vote for each share held by the Securityholder that the person represents; and
   - in the case of a resolution of the Trust, each Securityholder present in person has one vote for each one dollar of the value of the units in the Trust held by the Securityholder. Also, each person present as proxy, attorney or duly appointed corporate representative of a Securityholder has one vote for each one dollar of the value of the units in the Trust held by the Securityholder that the person represents.
4. A Securityholder entitled to attend and vote is entitled to appoint not more than two proxies. If it is desired to appoint two proxies, then an additional proxy form can be obtained from Infigen Energy's security registry by telephoning +61 2 8280 7180.
5. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion or number of the Securityholder's voting rights.
6. A proxy need not be a Securityholder and may be an individual or body corporate.
7. Proxy forms (and if the appointment is signed by the appointor's attorney, the original authority under which the appointment was signed or a certified copy of the authority) must be received by Infigen Energy's security registry Link Market Services:
   - by mail to Locked Bag A14, Sydney South NSW 1235; or
   - by hand to Level 12, 680 George Street, Sydney NSW 2000; or
   - by fax to +61 2 9287 0309.

Alternatively, if a proxy is not appointed under a power of attorney, proxy forms may also be lodged online at the Company's website www.infigenenergy.com in accordance with the instructions provided on the website. You will need your Holder Identification Number (HIN) or Security Reference Number (SRN), and your postcode, as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions provided on the website.

All proxies must be received prior to 11am (AEDT) on Tuesday, 13 November 2012.

8. The Board of the Company, the Board of the Foreign Company and the Board of the Responsible Entity of the Trust have determined that, for the purposes of the meetings, shares and units will be taken to be held by the persons who are registered as Securityholders as at 7pm (AEDT) on Tuesday, 13 November 2012. Accordingly, transfers of Stapled Securities registered after that time will be disregarded in determining entitlement to attend and vote at the meetings.

EXPLANATORY NOTES

These explanatory notes are intended to provide Securityholders with information to assess the merits of the resolutions contained in the accompanying Notice of Meetings.

The Directors recommend that Securityholders read these explanatory notes in full before making any decision on how to vote on the resolutions.

A reference to a **Stapled Security** is a reference to one share in the Company, one share in the Foreign Company and one unit in the Trust that are stapled together to form a single security and must be traded and otherwise dealt with as a single security.

ORDINARY BUSINESS

Item 1: Financial Report – Company, Foreign Company and Trust

The Company has distributed both the Infigen Energy Annual Report 2012 and the Trust Annual Financial Report 2012 (**Annual Reports**) to Securityholders. The financial reports, as well as the Directors' and Auditor's reports, are included within these Annual Reports. The Infigen Energy Annual Report 2012 and the Trust Annual Financial Report 2012 are both available at Infigen Energy's website: www.infigenenergy.com.

Securityholders do not vote on the financial reports and the Directors' and Auditor's reports. However, an opportunity for Securityholders to discuss the financial and other reports will be provided at the meetings.

Item 2: To adopt the Remuneration Report – Company only

Securityholders are asked to consider and adopt the Remuneration Report of the Company by way of a non-binding resolution. The Remuneration Report is set out in the Directors' Report included within the Infigen Energy Annual Report 2012 and is also available from the Company's website: www.infigenenergy.com.

The information included in each annual Remuneration Report is largely determined by the requirements of the Corporations Act 2001 (Cth). However, similar to the previous year, the Chairman has prepared a letter to Securityholders at the start of the Remuneration Report that aims to assist Securityholders by identifying the key remuneration-related matters for Infigen Energy for FY12.

An opportunity to discuss the Remuneration Report will be provided at the meeting.

The vote on the Remuneration Report is advisory only. The Directors will, however, take into account the discussion on this resolution and the outcome of the vote when considering the future remuneration arrangements of Directors and senior management.

The Directors of the Company recommend the adoption of the Remuneration Report.

If at least 25% of the votes cast on the resolution at the AGM are against the adoption of the Remuneration Report, then:

- if comments are made on the report at the meeting, the Company's Remuneration Report for the financial year ending 30 June 2013 will be required to include an explanation of the Board of the Company's proposed action in response or, if no action is proposed, the Board of the Company's reasons for this; and
- if, at the Company's 2013 AGM, at least 25% of the votes cast on the resolution for adoption of the Remuneration Report for the financial year ending 30 June 2013 are against its adoption, the Company will be required to put to Securityholders a resolution proposing that a general meeting (Spill Meeting) be called to consider the election of directors of the Company (Spill Resolution). For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the directors of the Company (other than the Managing Director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

Item 3: Director Re-election – Company and Foreign Company only

Michael (Mike) Hutchinson retires as a Director of the Company and of the Foreign Company and being eligible, offers himself for re-election. Mike was originally appointed to the Board of the Company and the Board of the Foreign Company on 18 June 2009.

Mike is a qualified civil engineer, educated at the University of Newcastle upon Tyne, United Kingdom, and Harvard Business School. He 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. Previous directorships include Pacific Hydro Ltd, OTC Ltd, Hastings Funds Management Ltd, Westpac Funds Management, EPIC Energy Holdings Ltd, the Australian Postal Corporation and the Australian Graduate School of Management Ltd. He was also Chairman of the HiTech Group Australia Ltd.

Mike is currently an independent non-executive director of The Australian Infrastructure Fund Ltd. He is a Member of the Institution of Engineers Australia, Australian Institute of Company Directors, Institution of Civil Engineers and Institution of Highways & Transportation.

The Directors of the Boards of the Company and Foreign Company (with Mr Hutchinson abstaining) recommend that Securityholders vote in favour of re-electing Mr Hutchinson as a Director of the Company and Foreign Company.

SPECIAL BUSINESS

Item 4: Participation in the Infigen Energy Equity Plan by Mr Miles George – Company, Foreign Company and Trust

Approval is sought for the grant of performance rights under the Infigen Energy Equity Plan (**Equity Plan**) to the Managing Director, Mr Miles George. A summary of the rules of the Equity Plan is set out in Annexure A to this Notice of General Meetings.

The performance rights are proposed to be granted for the purpose of the Long Term Incentive (**LTI**) component of Mr George's FY13 remuneration package and to satisfy the deferred component of his FY12 Short Term Incentive (**STI**) award as described below.

Award of performance rights to satisfy the deferred component of the Managing Director's FY12 STI

Under the Infigen Energy Short Term Incentive Plan (**STI Plan**) 50% of Mr George's FY12 STI award is required to be deferred and, subject to approval by Securityholders, is to be awarded in the form of a grant of performance rights under the Equity Plan. The Board of the Company have determined for FY12 that 60% (rather than 50%) of Mr George's FY12 STI payment will be deferred for 12 months.

The deferred component of Mr George's FY12 STI award has a value of $237,262. This results in a grant of 1,076,995 performance rights to the Managing Director. The number of performance rights to be granted has been determined using the volume weighted average ASX market price of Stapled Securities in the last five trading days of the FY12 financial year of $0.2203 in accordance with the rules of the STI Plan.

The vesting and forfeiture conditions that apply to the performance rights granted in satisfaction of the deferred component of Mr George's FY12 STI award are:

1. Unless they are forfeited or lapse prior to vesting, the performance rights will vest when the first trading window is opened (as determined under the Company's Securities Trading Policy) after the release of Infigen Energy's financial results for FY13.
2. The performance rights will be forfeited if the Managing Director's employment ceases other than due to death, total and permanent disablement, redundancy or retirement prior to the vesting date in point 1 above.
3. The performance rights may vest or lapse upon the happening of certain events specified in the Equity Plan (these are summarised in Annexure A).
4. The Board of the Company may declare that a performance right has lapsed if the performance right was awarded to the Managing Director based on a Key Performance Indicator (KPI) achievement under the STI Plan for FY12 that is subsequently determined to be incorrect as a result of misstated financial information and the performance right would not have been awarded by the Board of the Company had it been aware of the financial misstatement.

Long Term Incentive as part of Mr George's FY13 remuneration package

Mr George will, subject to Securityholder approval, be eligible to receive an LTI award under the Equity Plan that is on the same terms as LTI awards made to other senior managers for FY13. Mr George's LTI award has been determined with reference to market practice, the Company's remuneration policy and Mr George's current employment contract.

Under the FY13 LTI award, Mr George is eligible to receive a maximum of 2,378,575 performance rights, dependent upon the achievement of the TSR and Operational Performance conditions over the measurement period (see further discussion below). This award is for performance rights with a market value of $524,000 as at 1 July 2012 assuming all performance conditions are ultimately satisfied and all 2,378,575 performance rights ultimately vest. This market value has been determined using the volume weighted average ASX market price of Stapled Securities in the last five trading days of the FY12 financial year of $0.2203 multiplied by the 2,378,575 performance rights.

Current remuneration of Mr George

The table below sets out the estimated remuneration of Mr George for FY13 as set by the Nomination & Remuneration Committee. The estimated remuneration is based on information available to Infigen Energy at the time of preparing the Notice of Meetings. The actual remuneration may differ based on achievement of Key Performance Indicators and other performance hurdles included within the short term and long term incentive plans, and will be reported in Infigen Energy's subsequent Annual Reports.

Remuneration categories	FY13 remuneration
Fixed remuneration (inclusive of statutory superannuation)	$602,000
Maximum short term incentive opportunity (up to 50% of any STI award will be deferred under the rules of the STI Plan)	$500,000
Long term incentive opportunity	$524,000

Performance conditions of proposed awards under the Equity Plan in respect of FY13 LTI Grant

1. If the proposed award is approved by Securityholders, performance rights will be awarded to the Managing Director 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 are Total Shareholder Return (**TSR**) and an operational performance condition involving earnings before interest, taxes, depreciation and amortisation (**EBITDA**). The vesting of Tranche 1 of the performance rights will be subject to the TSR condition, while Tranche 2 of the performance rights will be subject to the Operational Performance condition.
3. The performance period for both Tranche 1 (TSR condition) and Tranche 2 (Operational Performance condition) will be a 3 year period from 1 July 2012 to 30 June 2015.
4. **TSR condition** (applicable to Tranche 1 performance rights) – TSR measures the growth in the price of securities plus cash distributions notionally reinvested in securities. In order for any of the Tranche 1 performance rights to vest, the TSR of Stapled Securities must outperform that of the median company in the S&P/ASX 200 (excluding financial services and the materials/resources sector).
5. 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 Energy 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 that vest will be as follows:

IFN's TSR performance compared to the relevant peer group	Percentage of Tranche 1 performance rights that vest
0 to 49th percentile	Nil
50th percentile	25%
51st to 75th percentile	27% – 75% (i.e. for every percentile increase between 51% and 75% an additional 2% of the Tranche 1 award will vest)
76th to 95th percentile	76.25% – 100% (i.e. for every percentile increase between 76% and 95% an additional 1.25% of the Tranche 1 award will vest)

6. **Operational Performance condition** (applicable to Tranche 2 performance rights) – the vesting of the Tranche 2 performance rights will be subject to an Operational Performance condition set by the Board of the Company. An EBITDA growth requirement is to be established annually by the Board of the Company. This requirement will be a stretch goal. The EBITDA performance will be measured relative to Infigen Energy's capital base. The annual EBITDA performance target will be a specified percentage increase in the ratio of EBITDA to Infigen Energy's Capital Base 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 Energy's economic interest in all investments. Any shortfall or overachievement in each year of the three year performance period will be rolled over into the calculation of results for the next year. At the completion of the annual measurement periods the EBITDA requirement will provide a cumulative performance hurdle of which at least 90% must be achieved in order for any vesting of Tranche 2 performance rights to occur.

   The annual EBITDA performance target for FY13 has been set to reflect the performance expectations of Infigen Energy's business and prevailing market conditions. The annual target for each subsequent financial year will be established by the Board of the Company no later than the time of the release of Infigen Energy's annual financial results for the preceding financial year.

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

The Operational Performance condition rewards senior management for sustaining and delivering capital efficiency performance over an extended period.

The vesting scale for the FY13 Tranche 2 performance rights is set out in the table below:

IFN's EBITDA Performance	Percentage of Tranche 2 performance rights that vest
90% to 110% of the cumulative target	5% to 100% (i.e. for every 1% increase between 90 and 110% of target an additional 5% of the Tranche 2 award will vest)

7. When no performance rights vest following the measurement of performance against the TSR and Operational Performance conditions described above, they will be subject to a single retest 4 years after the commencement of the relevant performance period (i.e. after 30 June 2016). Any performance rights that do not vest in year 4 will then lapse.
8. The Board of the Company has discretion to accelerate the vesting of all or part of any unvested Award in certain circumstances described in the Equity Plan, including if a takeover bid is made to the holders of Stapled Securities that the Board resolves has a reasonable prospect of success or if Stapled Securities cease to be quoted on an exchange. These circumstances are outlined in Annexure A.
9. The rules relating to the lapse of unvested Awards and the circumstances in which a participant who ceases employment is entitled to retain their unvested Awards are set out in the Equity Plan and are summarised in Annexure A.

Requirement for approval

Under Listing Rule 10.14, a director of a listed entity can only acquire securities under an employee incentive scheme with Securityholder approval. In accordance with the requirements of the Listing Rules, the following information is provided to Securityholders:

1. Each performance right that vests in accordance with the vesting conditions described above will (subject to the Board of the Company determining that the vested performance rights will be satisfied by the delivery of Stapled Securities instead of their cash equivalent value) translate into one Stapled Security (subject to any adjustment in accordance with the Equity Plan rules). Securityholder approval under Item 4 is sought for the grant of a maximum of 3,455,570 performance rights to Mr George and the acquisition by Mr George of Stapled Securities in consequence of the vesting of these performance rights in accordance with the Equity Plan rules.
2. Mr George will not be required to pay any amount on the grant or vesting of his performance rights.
3. Mr George will be prohibited from entering into hedging arrangements or transactions that will limit or reduce exposure to economic risk of holding unvested performance rights.
4. The proposed grant of performance rights to Mr George will be made as soon as practicable after Securityholder approval is obtained, and in any event no later than 12 months after this meeting.
5. No loan will be made by Infigen Energy in connection with the potential grant of performance rights to Mr George.
6. Mr George is currently the only director of the Company, Foreign Company or Responsible Entity entitled to potentially receive a grant of performance rights under the Equity Plan.

The Directors of the Boards of the Company, the Foreign Company and the Responsible Entity (with Mr George abstaining) recommend that Securityholders vote in favour of this resolution.

Item 5: Re-appointment of Auditor – Foreign Company only

Section 89 of the Companies Act 1981 (Bermuda) requires that the Auditor of the Foreign Company be appointed as Auditor by the shareholders of the Foreign Company at each Annual General Meeting of the Foreign Company. Upon appointment, the Auditor is to hold office until the close of the next Annual General Meeting. PricewaterhouseCoopers is the current Auditor of the Company, Foreign Company and Trust, and as such, PricewaterhouseCoopers is nominated for re-appointment as Auditor of the Foreign Company up until the close of the next Annual General Meeting.

Section 89 of the Companies Act 1981 (Bermuda) also provides that the Directors of the Foreign Company may approve the remuneration of the Auditor as authorised by the shareholders of the Foreign Company. Directors of the Company and the Responsible Entity of the Trust currently have authority to approve the remuneration of PricewaterhouseCoopers in its capacity as Auditor of both the Company and the Trust. Shareholders of the Foreign Company are therefore requested to provide the Directors of the Foreign Company with similar authority to approve the remuneration of PricewaterhouseCoopers in its capacity as Auditor of the Foreign Company. The remuneration paid to PricewaterhouseCoopers in its capacity as Auditor of the Company, the Trust and the Foreign Company during the 2012 financial year is shown in Note 9 to the financial statements within the Infigen Energy Annual Report 2012.

The Directors of the Board of the Foreign Company recommend that shareholders of the Foreign Company approve the resolution to re-appoint PricewaterhouseCoopers as Auditor of the Foreign Company.

Securityholders are reminded that the Foreign Company is now a largely inoperative formal element of Infigen Energy's historical structure that is maintained only because its removal could be complex and expensive under the terms of the stapling deed and various lender arrangements.

ANNEXURE A – OVERVIEW OF THE INFIGEN ENERGY EQUITY PLAN ("EQUITY PLAN")

1 The Board of the Company (**Board**) may in its absolute discretion determine which eligible persons will be offered the opportunity to participate in the Equity Plan.

2 Eligible persons may be invited to apply to be a participant in the Equity Plan.

3 Under the Equity Plan, the Company may grant performance rights, options or security appreciation rights (**Awards**).

4 The main difference between an option and a performance right is that an exercise price as determined by the Board is required to be paid by the participant to exercise a vested option, whereas a vested performance right has a nil exercise price (unless determined otherwise by the Board at the time of grant).

Security appreciation rights are the right to receive, upon vesting, a cash payment equal to the difference between the base price of the security appreciation right (set by the Board at the time of grant, having regard to the then market price of Stapled Securities) and the market price of Stapled Securities at the time when the security appreciation right vests. No amount is payable to a security appreciation right holder if the market price of Stapled Securities at the time of vesting is less than the original base price.

5 The grant of an Award is subject to the rules of the Equity Plan and the terms of the specific award as determined by the Board.

6 The Board is responsible for administering the Equity Plan in accordance with the rules of the Equity Plan and the terms and conditions of specific grants of an Award to participants in the Equity Plan.

7 An application to participate in the Equity Plan will not be accepted if, at the time of the application, the applicant:

(a) is not an employee of an Infigen Energy Group entity;

(b) has given notice of his or her resignation as an employee; or

(c) has been given notice of termination of his or her employment.

8 The Board may impose performance conditions on any awards under the Equity Plan to reflect the group's business plans, budgets and performance objectives. Awards will not vest unless these vesting conditions are satisfied or accelerated vesting occurs in accordance with paragraph 12 below.

9 Awards 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 then subject to non-disposal restrictions).

10 On the vesting of an Award, the Company must cause to be issued, transferred or paid (as applicable) to the participant:

(a) in respect of vested options which are exercised by the option holder, the number of Stapled Securities (expressed to one decimal place) the subject of each vested option multiplied by the number of vested options exercised by the participant, rounded down to the nearest whole number of Stapled Securities;

(b) in respect of vested performance rights, in the absolute discretion of the Board, either:

(i) the number of Stapled Securities (expressed to one decimal place) the subject of each vested performance right multiplied by the number of vested performance rights held by that participant, rounded down to the nearest whole number of Stapled Securities; or

(ii) a cash amount equivalent to the Market Price of a Stapled Security on the vesting date multiplied by the number of Stapled Securities contemplated under paragraph 10(b)(i) above. The Market Price means an amount equal to the volume weighted average of the selling price of a Stapled Security recorded on the ASX over the 5 ASX trading days immediately preceding the vesting date or if no sale occurred during such period the last sale price of a Stapled Security recorded on the ASX; or

(c) in respect of vested security appreciation rights, a cash amount (rounded to the nearest whole dollar) calculated by multiplying the number of Stapled Securities to which those security appreciation rights relate by an amount equal to the amount by which the Market Price of a Stapled Security on the vesting date of the security appreciation right exceeds the base price of that security appreciation right. As stated in paragraph 4 above, no amount is payable where that Market Price does not exceed that base price.

11 No amount is payable for the grant of an Award.

12 The Board may, in its absolute discretion, accelerate the vesting of all or part of any unvested Award, in the following circumstances:

(a) a takeover bid is made to holders of Stapled Securities which the Board resolves has a reasonable prospect of success;

(b) a court orders that a meeting be held to consider a scheme involving a proposed arrangement for the merger or acquisition of the Infigen Energy Group;

(c) if Stapled Securities cease to be quoted on any securities exchange;

(d) the winding up of the Company, Foreign Company or Trust; or

(e) a participant's employment ceases due to death or total and permanent disability.

The Equity Plan contains rules regulating the exercise of the Board's discretion in these circumstances.

13 An unvested Award held by a plan participant will lapse on the earlier of:

(a) the expiry date applicable to that option, performance right or security appreciation right; or

(b) that participant becoming bankrupt or committing an act of bankruptcy; or

(c) the Board determining that the participant:

(i) has committed (or it is evident that the participant intends to commit) any act (whether by omission or commission) which amounts or would amount to any of dishonesty, fraud, wilful misconduct, wilful breach of duty, serious and wilful negligence or incompetence in the performance of the participant's duties;

(ii) is convicted of a criminal offence (other than minor/trivial offences) or is guilty of wilful or recklessly indifferent conduct which may injure the reputation or business of an Infigen Energy Group member; or

(iii) has failed to comply with a non-compete or confidentiality condition contained in their employment contract with an Infigen Energy Group member;

(d) that participant ceasing to be an employee due to reasons other than death, total and permanent disablement, redundancy or retirement (unless the Board of the Company determines otherwise in its absolute discretion); or

(e) subject to certain exceptions, the compulsory or voluntary winding up of the Company, Foreign Company or Trust as detailed in the Equity Plan.

14 If a participant's employment ceases due to death, total and permanent disablement, redundancy or retirement, or for any other reason approved by the Board in its absolute discretion, then his or her unvested Awards will be retained by the participant after his or her employment ceases and will vest or lapse in accordance with the terms of the grant of the Award and the Equity Plan rules.

15 The Equity Plan provides for the acquisition, by issue or transfer, of fully paid Stapled Securities by the plan entity appointed by the Company. 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 Equity Plan will rank equally with those traded on the ASX at the time of issue.

16 A participant may not sell, assign, transfer or otherwise deal with, or grant a security interest over, an Award. An Award lapses immediately on any purported sale, assignment, transfer, dealing or grant of security interest unless the Board in its absolute discretion approves the dealing or transfer or transmission is effected by force of law on death or legal incapacity to the participant's legal representative.

17 In the event of any capital reorganisation of the Company (or certain other matters affecting the Company's capital structure including any bonus issues and rights issues), the participant's Award will be adjusted, as set out in the Equity Plan and otherwise in accordance with the ASX Listing Rules. In general, it is intended that the participant will not receive any advantage or disadvantage from any such adjustment relative to holders of Stapled Securities.

18 The Board may impose restrictions on the disposal of Stapled Securities acquired by a participant under the Equity Plan and implement such arrangements (including a holding lock) as it determines are necessary to enforce this restriction. Once any restriction is removed, and subject to the Company's Securities Trading Policy, Stapled Securities acquired under the Equity Plan may be dealt with freely by the participant.