Alinta Energy Limited | ABN 67 116 665 608
Alinta Energy Services Limited | ABN 37 118 165 156
As responsible entity for
Alinta Energy Trust | ARSN 122 375 562
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ASX Release

28 September 2010

ALINTA ENERGY GROUP
ALINTA ENERGY TRUST 2010 ANNUAL FINANCIAL REPORT

Alinta Energy Group (ASX:AEJ) advises that the attached Chairman's Letter and the Annual Financial Report of the Alinta Energy Trust for the year ended 30 June 2010 has been dispatched to Securityholders.

ENDS

Further Information:
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About Alinta Energy Group
Alinta Energy Group (ASX: AEJ) is an integrated energy company, operating power generation businesses as well as providing gas and electricity to commercial, industrial and retail customers across Australia.

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Alinta Energy

24 September 2010

Dear Securityholder,

UPDATE ON DELEVERAGING

I would like to update you regarding the outcome of our activity to reduce the excessive debt burden facing the Alinta Energy business, the "deleveraging program". This outcome was announced on 21 September and is subject to a range of approvals including a securityholder approval. Assuming these approvals are received, a payment of **10 cents per unit** will be paid to securityholders.

Background

As advised at the Extraordinary General Meeting on 22 February 2010, Alinta Energy had commenced work to address the excessive debt burden facing the business. Since that time, Alinta Energy has been working with its lending group ("Syndicate Lenders") and both parties' advisers to determine the best plan to deleverage the Alinta Energy business.

As previously disclosed, the Directors remain of the view that deleveraging the business is critical as almost all available cash generated in the business after operating costs is absorbed by debt servicing. This situation does not allow for appropriate capital management of the business and Directors do not believe that, in the absence of a successful deleveraging transaction, the business can continue to trade as a going concern.

Outcome

As part of this deleveraging process, a number of trade bids for both the whole of business and parts of the business were received and considered by the Syndicate Lenders. Subsequent to the receipt and review of the trade bids and discussions with the Syndicate Lenders, the parties have determined to work constructively together to implement a proposed sale of the Alinta Energy Group assets to a new company owned by the Syndicate Lenders as an alternative to accepting a trade bid as no trade bid repays the Syndicate Lenders in full.

The transaction is subject to credit approvals, court approval, documentation and securityholder approval including an Independent Expert Report which will opine on whether the transaction is in the best interests of securityholders. Assuming the transaction is agreed over the coming weeks, then the broad outline of the transaction is set out below.

Syndicate Lenders

All of the Syndicate Lenders' debt which is owed by Alinta Finance Australia Pty Limited ("AFA"), the principal borrower entity, will be discharged in exchange for an acquisition of the AFA Assets. Hence all of the Alinta Energy Group operating assets, other than the Redbank and Oakey[1] Power Stations, will be acquired by a new company wholly owned by the Syndicate Lenders.

Securityholders

As outlined above, the transaction is subject to securityholder approval. Securityholders will be asked to approve the de-stapling of the Alinta Energy Limited ("AEL") shares from the Alinta Energy Trust ("AET") units, and an Alinta Energy subsidiary will then offer to acquire all securityholders' AET Units for **10 cents per unit**. The funds to make this acquisition will be a combination of a payment made by the Syndicate Lenders supplemented by the cash currently outside the Syndicate Lenders' security package, being the unencumbered Alinta Energy Group funds.

Once the AET Units have been acquired, securityholders will continue to own their AEL shares which will incorporate an interest in the Redbank Power Station ("Redbank"). Redbank is fuelled by a mix of coal tailings and mined coal. Given Redbank's project financing debt levels, recent plant performance issues and trade bid interest, the Directors advise that they do not consider there is any value remaining in Redbank. Consequently, there is likely to be no further equity available to securityholders after payment of the 10 cents per unit.

The Board will decide what to do with the remainder of the business in due course.

1 50% interest in Oakey currently held for sale for the benefit of Babcock & Brown International Group.

Next Steps
The transaction will require substantial further work to develop it to the stage where documents can be executed. We will continue to work with the Syndicate Lenders (including TPG) and our advisers, and note there is risk to execution of the transaction.

Trust Accounts and AGM
Please find enclosed the Alinta Energy Trust Annual Financial Report for the 2010 Financial Year. This report incorporates the financial statements for the Alinta Energy Trust, which forms one part of the stapled security that you hold. The full Annual Report for Alinta Energy, which provides more detailed information regarding the performance and activities of the Alinta Energy Group, will be published in late October and then mailed to you with the Notice of Annual General Meeting ("AGM").

There will be an Extraordinary General Meeting ("EGM") for securityholders to consider the proposed sale of the Alinta Energy Group assets following finalisation of the appropriate documents including an Independent Expert Report. The EGM is likely to be held in either December 2010 or early 2011, as documentation will not be finalised in time for consideration at the AGM.

I look forward to seeing you at the AGM which will be held at 11.00am on Tuesday, 23 November 2010 at Customs House, Level 1, 31 Alfred Street, Circular Quay, Sydney, NSW, Australia.

Yours faithfully,

Mr L F Gill
Chairman

ARSN 122 375 562

ALINTA ENERGY TRUST
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

CONTENTS

REPORT OF THE DIRECTORS OF THE RESPONSIBLE ENTITY

The Alinta Energy Group (AEG) (formerly the Babcock & Brown Power Group) consists of the following entities:

- Alinta Energy Limited (AEL) (formerly Babcock & Brown Power Limited);
- Alinta Energy Trust (AET or the Trust) (formerly Babcock & Brown Power Trust); and
- the subsidiary entities of AEL.

Each share in AEL and a corresponding unit in AET have been stapled together to form a single AEG stapled security. These AEG stapled securities are tradable on the Australian Securities Exchange under the ticker code “AEJ”.

The Directors of Alinta Energy Services Limited (AESL) (formerly Babcock & Brown Power Services Limited), the Responsible Entity of AET, hereby submit the following financial report on the financial results of Alinta Energy Trust for the year ended 30 June 2010.

DIRECTORS

The following persons were Directors of AESL at any time during the year, up to the date of this Directors’ report.

Name	
Mr L F Gill (Chairman)	appointed 1 July 2008
Mr R K Rolfe (Managing Director & Chief Executive Officer)	appointed 8 December 2008
Mr R H Keller	appointed 27 April 2010
Mr J Fletcher	appointed 29 October 2006, resigned 13 April 2010

Particulars of the qualifications, experience and special responsibilities of the Directors at the date of this report are set out below:

Mr L F Gill – Independent Non-Executive Director – Chairman from 1 July 2008

Leonard (Len) Gill joined AEG as a Non-Executive Director in 2006. Len became the Independent Chairman in July 2008.

Len has over 30 years of experience in the Australian energy industry, building extensive industry knowledge over this time. He is the former Chief Executive Officer of TXU Australia (now TRUenergy). Prior to his appointment as CEO, Len headed TXU’s wholesale energy division for five years, which included general management responsibility for energy trading, power generation and gas storage assets. Len is a Non-Executive Director of Metgasco and a former Non-Executive Director of Verve Energy.

Len holds a Bachelor of Engineering (Honours) from the University of Melbourne and is a member of the Australian Institute of Company Directors.

Mr R Rolfe – Managing Director & Chief Executive Officer

Ross Rolfe was appointed as AEG’s Chief Executive Officer in October 2008, having worked as the Acting CEO from August 2008.

Prior to joining AEG, Ross held a range of Chief Executive Officer positions. This included positions within industry in Queensland, and within the Queensland Government. He was the Director General of the Department of the Premier and Cabinet. He was also the Co-ordinator General in Queensland for six years. In this role Ross was responsible for the delivery of the South Queensland Regional Infrastructure Plan and for the design and implementation of the Water Grid. Ross was Chief Executive Officer for Stanwell Corporation (one of Queensland’s largest energy generation companies) from January 2002 to July 2005.

Ross is a member of the Board of Infrastructure Australia, a member of the National Board of Infrastructure Partnerships Australia and a Non-Executive Director of WDS Limited and the Thiess Group.

Ross holds a Bachelor of Arts (Honours) from the University of Queensland.

Mr R H Keller – Independent Non-Executive Director

Rod Keller joined AEG as a Non-Executive Director in April 2010. Rod has had a distinguished career, principally in the energy and engineering sectors. He was Managing Director of GPU International Australia from 1995 to 1999, and was appointed CEO of GPU GasNet and GPU PowerNet in 1999. Rod has previously held management positions with Fletcher Construction Australia, the State Government of South Australia, Esso Australia, Woodside Petroleum and Santos.

Rod is currently Chairman of Norfolk Group Limited and OSD Limited, and was Chairman of the GasNet Australia Group from its listing in 2000 to its takeover in 2006. Until recently, he was a Non-Executive Director of Macquarie Communications Infrastructure Limited, Macquarie Communications Infrastructure Management Limited, National Electricity Code Administrator and Dyno Nobel Limited.

Rod has a Bachelor of Engineering (Mechanical) from the University of Sydney and is a Fellow of the Institute of Engineers, Australia.

Mr J Fletcher – Independent Non-Executive Director
John Fletcher is currently a Director of APA Group and Sydney Water Corporation. His recent experience includes board positions with Foodland Associated Limited, Integral Energy and NGC Limited of New Zealand. He held a number of executive roles at The Australian Gas Light Company, including that of CFO, and has extensive experience in the energy industry. John has a Bachelor of Science and a Master of Business Administration. He is a Fellow of the Australian Institute of Company Directors.

John Fletcher resigned from the Board on 13 April 2010.

COMPANY SECRETARY

The Company Secretary of AEL and AESL during the year and up to the date of this Directors' report was John Remedios. John is principally responsible for the company secretarial function and corporate governance requirements of the Alinta Energy Group. Prior to joining Alinta Energy, John was a Senior Legal Counsel for AMP Capital Investors and held various company secretarial positions, including Company Secretary of AMP Life Limited and Assistant Company Secretary of AMP Limited. John holds Bachelor of Economics and Bachelor of Law (Honours) degrees from the University of Sydney and is a Member of the Law Society of New South Wales.

NAME CHANGE

In January 2010, Babcock & Brown Power Trust changed its name to Alinta Energy Trust.

The Australian Securities Exchange ticker code for the Alinta Energy Group changed on 4 January 2010 to "AEJ", from the previous "BBP".

REVIEW OF OPERATIONS

The net loss after tax for the year ended 30 June 2010 was $375,450,000 (30 June 2009: $352,773,000). The overriding driver of this result relates to a reassessment of the recoverable amount of the loan to AEL and an impairment charge recognised against the loan. AET is a passive investment vehicle, with its primary investment being a loan to its co-stapled entity, AEL. The Alinta Energy Group (AEG) considers that the level of debt carried by that business is higher than desirable, impacting the net asset value of the Group and the recoverability of the AET loan. AEG has embarked on a deleveraging process which will consider a range of opportunities. The outcome of this process is presently uncertain, but is likely to significantly reduce the recoverability of the loan to AEL. Accordingly, the Directors have reviewed the carrying value of the AEL loan, which is reflected in the loss for the year.

In early December 2009, AEG entered into agreements with Babcock & Brown International Pty Limited and various of its related entities (B&B) to terminate the various management and advisory agreements between the two groups and to settle outstanding debts and fees payable to B&B totalling approximately $453.3 million. In exchange for the extinguishment of the outstanding debt and fees, AEG agreed, subject to security holder approval, to make a cash payment to B&B; to issue AEG stapled securities to B&B; and to appoint B&B as AEG's sales agent to seek to realise the Group's interest in the Oakey Power Station, with the net proceeds (after certain allowed deductions) from sale to be paid to B&B. The settlement was approved at an Extraordinary General Meeting of security holders on 22 February 2010. As a result of the settlement, an additional 80,730,000 Trust units were issued to Babcock & Brown International Pty Ltd and recorded at their fair value of $6,423,170, in consideration for the forgiveness of the debts owing by its co-stapled entity, Alinta Energy Limited. This resulted in a net debt forgiveness expense of $5,071,000 for the year, which also includes the forgiveness of amounts payable to B&B for Responsible Entity and custodian services totalling $1,172,000.

PRINCIPAL ACTIVITIES

The Trust is a registered management investment scheme which acts as a financing vehicle to AEL.

DISTRIBUTIONS

The Directors of the Responsible Entity decided not to make a distribution for the year ended 30 June 2010.

SIGNIFICANT CHANGES TO THE STATE OF AFFAIRS

During the year ended 30 June 2010, there were no significant changes to the state of affairs of the Trust other than those disclosed in this report, the financial statements and notes thereof.

MATTERS SUBSEQUENT TO END OF THE FINANCIAL YEAR

There were no subsequent events of material consequence after 30 June 2010 in respect of the Trust.

FUTURE DEVELOPMENTS

Further information on likely developments in the operations of the Trust and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Trust.

INDEMNIFICATION OF OFFICERS AND AUDITORS

AEG has agreed to indemnify each director, alternate and officer on a full indemnity basis against all losses and liabilities incurred in their role as a director, alternate or officer (including for legal costs incurred in preparing for, conducting or defending legal actions). This indemnity is subject to certain exclusions, including to the extent that such indemnity is prohibited by the *Corporations Act 2001* or any other law, or to the extent that the loss or liability is covered by insurance. AEG has not been advised of any claims under any of the abovementioned indemnities.

The terms of engagement of AEG's external auditor include an indemnity in favour of the external auditor. This indemnity is in accordance with PricewaterhouseCoopers' standard Terms of Business and is conditional upon PricewaterhouseCoopers acting as external auditor. AEG has not otherwise indemnified or agreed to indemnify the external auditor of AEG at any time during the financial year.

During the financial year, AEG has paid insurance premiums for a Directors' and officers' liability insurance contract that provides cover for current and former Directors, secretaries and executive officers of AEG, its controlled entities and Alinta Energy Services Limited (the Responsible Entity of the Alinta Energy Trust). The Directors have not included details of the nature or limit of the liabilities covered in this Directors' and officers' liability insurance contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF THE RESPONSIBLE ENTITY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Responsible Entity (AESL), or to intervene in any proceedings to which AESL is a party, for the purpose of taking responsibility on behalf of AESL for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of AESL with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

No non-audit services have been provided to the Trust by its external auditor during the year.

Details of the amounts paid or payable by Alinta Energy Group to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below:

TRANSACTION SUPPORT SERVICE

	2010 $	2009 $
Other assurance services		
PricewaterhouseCoopers Australian firm:		
Due diligence services	2,441,000	977,000
Accounts and advisory services	34,000	68,000
Total remuneration for other assurance services	**2,475,000**	**1,045,000**
Other services		
PricewaterhouseCoopers Australian firm:		
Legal services	54,000	2,015,000
Total remuneration for other services	**54,000**	**2,015,000**
Total remuneration for non-audit services	**2,529,000**	**3,060,000**

FEES PAID FROM AND INTERESTS IN THE TRUST

Fees paid or payable to the Responsible Entity, its associates and Directors during the year are disclosed in note 12 of the financial report. The Responsible Entity does not hold any units in the Trust.

The value of the Trust's assets and liabilities are disclosed in the balance sheet and derived using the basis set out in note 1 of the Financial Report.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 and forms a part of Directors' Report.

ENVIRONMENTAL REGULATION

The Trust's assets and activities are of a nature that is not subject to environmental regulations under both Commonwealth and State legislation.

ROUNDING OFF OF AMOUNTS

The Trust is of a kind referred in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and the Financial Report are rounded off in accordance with that Class Order to the nearest thousand dollars or, in certain cases, to the nearest dollar.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of Directors.

L. F. Gill

Mr L F Gill
Director

Dated at Sydney this 14th day of September 2010

AUDITOR'S INDEPENDENCE DECLARATION

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of Alinta Energy Trust (formerly Babcock & Brown Power Trust) for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Alinta Energy Trust (formerly Babcock & Brown Power Trust) and the entities it controlled during the period.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
14 September 2010

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $'000	2009 $'000
Revenue from ordinary activities			
Financing income	3	36,165	68,328
Total revenue from ordinary activities		**36,165**	**68,328**
Finance costs[(i)]	3	–	(279,134)
Loss on debt forgiveness	3	(5,071)	–
Impairment loss on loan receivable	3	(406,123)	(141,161)
Other corporate expenses	3	(421)	(806)
Total expenses from ordinary activities		**(411,615)**	**(421,101)**
Net loss before income tax		**(375,450)**	**(352,773)**
Loss for the year and total comprehensive income and expense		**(375,450)**	**(352,773)**

(i) Finance costs represent a present value adjustment required to the loan receivable from Alinta Energy Limited in accordance with the requirements of Australian Accounting Standards.

The above statements of comprehensive income should be read in conjunction with the notes to the financial statements disclosed on pages 10 to 27.

BALANCE SHEETS
AS AT 30 JUNE 2010

	Notes	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents		825	806
Other receivables	4	–	45
Total current assets		**825**	**851**
Non-current assets			
Loans to related parties	4	80,000	450,000
Total non-current assets		**80,000**	**450,000**
Total assets		**80,825**	**450,851**
Current liabilities			
Trade and other payables	5	–	1,000
Loans payable – to related parties	5	854	853
Total current liabilities		**854**	**1,853**
Total liabilities		**854**	**1,853**
Net assets		**79,971**	**448,998**
Unitholders' interest			
Units on issue	6	1,122,172	1,115,749
Accumulated losses	7	(1,042,201)	(666,751)
Total equity		**79,971**	**448,998**

The above balance sheets should be read in conjunction with the notes to the financial statements disclosed on pages 10 to 27.

STATEMENTS OF CHANGES IN UNITHOLDERS' INTERESTS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $'000	2009 $'000
Unitholders' interest at the beginning of the year		448,998	801,771
Total income and expense for the period recognised directly in unitholders' interests			
Profit/(loss) for the year		(375,450)	(352,773)
Total income and expense for the year		**(375,450)**	**(352,773)**
Distribution	8	–	–
Units issued (net of transaction costs)	6	6,423	–
Total unitholders' interest at the end of the year		**79,971**	**448,998**

The above statements of changes in unitholders' interests should be read in conjunction with the notes to the financial statements disclosed on pages 10 to 27.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 $'000	2009 $'000
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(21)	–
Other receipts	–	74
Interest received	40	53
Net cash inflow from operating activities	**19**	**127**
Net increase in cash and cash equivalents	**19**	**127**
Cash and cash equivalents at the beginning of the year	806	679
Cash and cash equivalents at the end of the year	**825**	**806**

The above statements of cash flows should be read in conjunction with the notes to the financial statements disclosed on pages 10 to 27.

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

1. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies adopted in the presentation of the Financial Report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

This report should be read in conjunction with any public announcements made by AEG during the year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, including Australian Interpretations, and the *Corporations Act 2001*.

The financial statements were approved by the Directors of the Responsible Entity on 14 September 2010.

Going concern

The financial information presented in the annual financial report of Alinta Energy Trust (AET or the Trust) has been prepared on the basis that AET is a going concern.

The Directors regularly monitor and review the debt facilities of the Alinta Energy Group (the Group), of which the Trust is a co-stapled head entity, and the status of deleveraging activities being undertaken by the Group. The Directors also review the debt servicing capacities and forecast cash flows of the Group, taking into account its associated performance assumptions and capital expenditure requirements.

After a detailed review of these factors, the Directors are of the opinion that this financial report for AET is correctly prepared on the basis of AET being a going concern.

Alinta Energy Group – capital structure update

During the year, the Alinta Energy Group (AEG) successfully completed negotiations in respect of several critical business issues, including the settlement and restructuring of its finance arrangements with B&B and under the Alinta Finance Syndicated Facility (formerly referred to as the BBPF Syndicated Facility) (SFA) and a settlement with the North West Shelf joint venture (NWS) in relation to the gas supply arbitration. Having reached agreement on these critical issues, the significant uncertainty which existed in respect of these matters at 30 June 2009 has been removed.

The agreement to restructure the SFA was reached in late December 2009, taking effect on 22 January 2010. Key aspects of the restructure included provision of additional short-term liquidity facilities to finance immediate obligations in respect of the NWS settlement; an extension of the maturity dates on the primary debt tranches; restructuring of interest payment timing and rate obligations; restructured covenants which match the businesses forecast performance; a cash sweep mechanism over agreed liquidity levels; and the grant of a comprehensive security package to the Syndicate. As part of the restructure, AEG also undertook to present a deleveraging plan with the objective of strengthening the Group's capital structure. The facility was reclassified from a current liability to a non-current liability from 22 January 2010.

AEG considers that the level of debt carried by the business remains higher than desirable. Almost all available cash generated in the business after operating costs is absorbed by debt service under the current SFA, which does not allow appropriate capital management or the accumulation over time of sufficient funds to meet its ultimate repayment commitments under the current SFA. It is, accordingly, necessary to consider other means by which to meet those commitments. Hence the Group has embarked on a deleveraging process which is considering a range of opportunities, which may involve asset sales or a range of different capital structure alternatives. The Group has appointed Macquarie Capital Advisers and UBS AG Australian Branch as joint advisers to consider deleveraging opportunities for the business, including recapitalisation options. UBS is also acting under a separate mandate as a strategic adviser in relation to potential asset sales. The Directors of Alinta Energy Limited have appointed Lazard Pty Ltd to assess the deleveraging proposals, with a view to maximising value for all stakeholders. The deleveraging process is supported by the Group's lending syndicate, which appreciates that there will need to be a revised capital structure resulting from the deleveraging process. The lenders and their advisers are working constructively with the Group on options to place it on a more robust capital structure for the future. The Directors expect to be able to announce a deleveraging transaction in September 2010, with financial completion by the end of financial year 2011.

Risks exist in the deleveraging process, including refinancing and implementation, such that in the event that the Group is unable to conclude a suitable deleveraging transaction, it is likely that it would not be able to meet its financial obligations when they fall due. As such, there exists significant uncertainty in regards to the Group's ability to continue as a going concern. With an understanding of the status of the deleveraging process and the support of its lenders, the Directors are of the opinion that there are reasonable prospects that a suitable deleveraging transaction will be implemented.

The Directors regularly monitor and review the debt facilities, debt profile, business operations and forecast cash flows, which take into account the assumptions including, but not limited to, the forward pricing of electricity, future gas tariffs, fuel supply costs and maintenance capital expenditure.

Compliance with IFRS
The financial report of Alinta Energy Trust complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Stapled security
The shares of Alinta Energy Limited (AEL or the Company) and the units in Alinta Energy Trust (AET or the Trust) are combined and issued as Stapled Securities in the Alinta Energy Group (AEG or the Group). The shares in the Company and the units of the Trust cannot be traded separately and can only be traded as Stapled Securities.

The shares in the Company and the units of the Trust will remain stapled commencing from 9 November 2006 until the earlier of the Company ceasing to exist or being wound up, or the Trust being dissolved in accordance with the provisions of the Trust Constitution.

Trust formation and termination
The Trust was formed on 18 May 2006. On 9 November 2006, the units of the Trust and the shares of the Company were stapled (the Stapled Securities). On 10 November 2006, the Stapled Securities were offered to the public through an Initial Public Offering and were listed on the Australian Securities Exchange on 11 December 2006.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through the income statement.

Critical accounting estimates and judgments
The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It requires management to exercise its judgment in the process of applying accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust's accounting policies.

Significant judgment – carrying value of loans receivable
AET's significant asset is a loan receivable from its co-stapled relative, AEL, valued at $80,000,000. There is a significant degree of judgment required in determining an appropriate recoverable amount for this loan balance as a result of uncertainties facing the borrower, AEL. Significant uncertainties relate to the ability of AEL and its subsidiaries to realise a suitable deleveraging strategy that will secure the solvency of AEL and the wider Alinta Energy Group for the foreseeable future.

The value of the loan receivable may materially change in the medium term, depending upon whether a suitable deleveraging strategy is expected and the nature of such arrangement. In the current year, AET has recognised an impairment loss of $406,123,000 in respect of its loan receivable from AEL.

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation

Functional and presentation currency
The consolidated financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

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 where deferred in equity as qualifying cash flow hedges.

(c) Rounding
The Trust is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & 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.

(d) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of any bank overdrafts.

Cash assets are stated at nominal values. Bank overdrafts are shown within borrowings in the current liabilities section on the balance sheet and are carried at the principal amount. Interest on bank overdrafts is recognised as an expense as it occurs.

Cash that is reserved and its use specifically restricted for maintenance and/or debt servicing under the Trust's borrowing agreements is defined as restricted cash. Restricted cash is shown in the balance sheet according to the timing of its release. Accordingly, cash that cannot be applied or used within the next 12 months is shown as a non-current asset. All other cash and cash equivalents are shown as current assets.

(e) Trade receivables
All trade debtors are recognised initially at fair value, less any subsequent provision for doubtful debts. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible, are written off. A provision for doubtful debts (provision of impairment of trade receivables) is established when sufficient reasonable doubt exists as to the collection of all outstanding amounts. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows from short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the provision is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against an allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(f) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Trust provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest method.

Subsequent measurement
Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment
The recoverable amount of loans and receivables is assessed at each reporting date and is compared to their carrying amount. In the event that the carrying amount exceeds the recoverable amount, an impairment charge is recognised. In the current year, an impairment charge of $406,123,000 has been recognised against the long-term loan receivable from the Trust's co-stapled related entity, AEL.

Fair value
If the market for a financial asset is not active and for unlisted securities, the Trust establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(g) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the entity is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

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 Trust uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on the market conditions existing at each balance date.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust prior to the end of financial period, which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

(i) Contributed equity

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

(j) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The amount recognised is the fair value of consideration received. Interest income is recognised using the effective interest method.

(k) Dividends or distributions

Provision is only made for the amount of any distributions when they are declared by the Directors, and no longer at the discretion of the Trust, on or before balance date but not distributed at balance date.

(l) Interest free loans

Interest free loans which are expected to mature in a period beyond 12 months are recognised at their amortised cost value. Loans are discounted at their effective interest rate, having regard to the repayment schedule determined at the loan's inception. Discounts from the nominal face value of the loan are recognised as finance costs in the profit and loss account.

Interest income is recognised using the effective interest method over the life of the loan. Amounts credited to interest income are debited to the loan receivable amount as the discount is unwound.

The repayment profile of interest free loans is reviewed at each balance date, holding the initial effective interest rate constant. Changes in the discounted value of the loan as a result of changes in the repayment profile are recognised as either finance income or cost.

The carrying values of interest free loans are assessed at each balance date. If there is evidence of impairment for any of the Trusts loans receivable measured at amortised cost, an impairment loss is measured as the difference between the loan's carrying amount and an estimate of its recoverable amount. Any excess in carrying value over the recoverable amount is recognised as an impairment charge.

(m) 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 current receivables or payables in the balance sheet.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) Changes in accounting policy and disclosures.
The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009:

- AASB 7 *Financial Instruments: Disclosures* adopted 1 July 2009; and
- AASB 101 *Presentation of Financial Statements (revised September 2007)* effective 1 July 2009.

Other than the necessary disclosure amendments, there has been no material impact on the financial statements of the Company or of the Group.

(b) Accounting Standards and Interpretations issued but not yet effective
Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been early adopted by the Group for the annual reporting period ended 30 June 2010. These are outlined below.

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Trust.

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2]* effective for annual reporting periods beginning on or after 1 January 2010;
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]* effective for annual reporting periods beginning on or after 1 February 2010;
- AASB *Interpretation 19 Extinguishing financial liabilities with equity instruments* effective for annual reporting periods beginning on or after 1 July 2010;
- AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* effective for annual reporting periods beginning on or after 1 July 2010;
- AASB 124 *Related Party Disclosures* effective for annual reporting periods beginning on or after 1 January 2011;
- AASB 2009-12 *Amendments to Australian Accounting Standards* effective for annual reporting periods beginning on or after 1 January 2011;
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* effective for annual reporting periods beginning on or after 1 January 2011;
- AASB 9 *Financial Instruments* effective for annual reporting periods beginning on or after 1 January 2013; and
- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* effective for annual reporting periods beginning on or after 1 January 2013.

3. PROFIT/(LOSS) FROM OPERATIONS

	2010 $'000	2009 $'000
Revenue		
Interest income:		
Related parties – from AEL (amortised effective interest – non-cash)	36,125	68,275
Bank deposits	40	53
	36,165	**68,328**
Profit/(loss) for the year has been arrived at after charging the following expenses:		
Operating expenses:		
Responsible Entity fee	(246)	(583)
Custodian fee	(59)	(197)
Other expenses	(116)	(26)
	(421)	**(806)**
Finance costs:		
Interest expense	–	(1)
Interest free loan amortised cost adjustment	–	(279,133)
	–	**(279,134)**
Impairment charge:		
Impairment of loan receivable from AEL	(406,123)	(141,161)
Debt forgiveness		
Debt forgiveness in relation to B&B separation	(5,071)	–

The $5,071,000 of net debt forgiveness loss for the year ended 30 June 2010 relates to the overall separation of the Alinta Energy Group from, and forgiveness of obligations to, Babcock & Brown International Pty Limited and various of its related entities (B&B). The loss comprises a debit of $6,244,000 in relation to the issue of units to B&B and a credit of $1,173,000 relating to the forgiveness of custodian and Responsible Entity fees payable to B&B.

4. LOAN AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Current		
GST refundable	–	45
	–	**45**
Non-current		
Loans to AEL	627,284	591,161
Provision for impairment	(547,284)	(141,161)
	80,000	**450,000**

The principal amount of the loans to AEL is $1.120 billion. The loans were present valued based on forecast cash flows discounted using a 10 year benchmark interest rate of 6.50% + 2%. The loans to AEL have a maturity of 10 years, maturing between 2017 and 2018. Following an assessment of the recoverable amount of the loans with AEL, an impairment charge of $406,123,000 was recognised as at 30 June 2010 (30 June 2009: $141,161,000).

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

5. TRADE AND OTHER PAYABLES

	2010 $'000	2009 $'000
Current		
Other payables	–	1,000
Payable to related parties – AEL (refer to Note 12)	854	853
	854	**1,853**

6. CONTRIBUTED EQUITY

		Unit in AET	
	Number '000	Issue price per unit $	$'000
Opening balance 30 June 2008	**726,329**		**1,115,749**
No equity transactions during the 2009 year.	–		–
Balance 30 June 2009	**726,329**		**1,115,749**
Units issued to B&B	80,730	0.08	6,423
Balance 30 June 2010	**807,059**		**1,122,172**

On 2 December 2009, AEG entered into agreements with Babcock & Brown International Pty Limited and various of its related entities (B&B) to terminate the various management and advisory agreements between the two groups and to settle outstanding debts and fees payable to B&B totalling approximately $453,300,000. In exchange for the extinguishment of the outstanding debt and fees, AEG agreed, subject to security holder approval, to make a cash payment to B&B; to issue AEG stapled securities to B&B; and to appoint B&B as AEG's sales agent to seek to realise AEG's interest in the Oakey Power Station, with the net proceeds (after certain allowed deductions) from sale to be paid to B&B. The settlement was approved at an Extraordinary General Meeting of security holders on 22 February 2010.

The fair value of the Trust securities issued was calculated by reference to the market value of AEG stapled securities on the date of issue ($0.08). Of the $6,430,000 fair valued securities issued to B&B, $6,423,000 was attributed to the AET units, representing 99% of the value, with the remaining value attributed to AEL's shares. B&B has subsequently sold its stapled securities.

7. ACCUMULATED LOSSES

	2010 $'000	2009 $'000
Balance at beginning of financial year	(666,751)	(313,978)
Net profit/(loss) attributable to unitholders	(375,450)	(352,773)
Balance at end of financial year	**(1,042,201)**	**(666,751)**

8. DISTRIBUTIONS

The Directors of AESL (the Responsible Entity) have decided not to make a distribution for the year ended 30 June 2010 (2009: Nil).

9. NOTES TO THE CASH FLOW STATEMENTS

	2010 $'000	2009 $'000
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents including:		
Unrestricted cash	825	806
	825	**806**
(b) Reconciliation of profit for the period to net cash flows from operating activities		
Profit/(loss) for the period	(375,450)	(352,773)
Interest free loan amortised cost adjustment *(net – interest income and interest expense)*	(36,125)	210,858
Debt forgiveness	5,071	–
Other non-cash movements – FV of units issued (net of debts forgiven)	1,352	–
Impairment loss	406,123	141,161
Decrease/(increase) in receivables	45	154
(Decrease)/increase in payables	(1,000)	727
Other	3	–
Net cash from operating activities	**19**	**127**

10. SEGMENT INFORMATION

The Trust has one primary business and operates predominantly in one geographical region (Australia). Its principal activity is the provision of loans to related entities, for the purpose of those entities undertaking investments.

11. CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities

There are no material contingent liabilities in existence at the date of this report.

Contingent assets

There are no material contingent assets.

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

12. RELATED PARTIES DISCLOSURES

Detailed remuneration disclosures in this section of the annual financial report relate to AEG as a whole, of which AET is a co-stapled head entity.

(a) Director and executive remuneration

Remuneration policy and approach

AEG aims to recruit, retain and reward the best available employees to meet the organisation's objectives. The Board and executive recognise that AEG operates in a competitive environment and that retaining the talents and experience of motivated, suitably qualified specialists is in the best interests of the business and its various stakeholders.

AEG has a formally constituted Nomination & Remuneration Committee (the Committee) which is currently comprised of AEG's three Independent Directors and chaired by Mr Peter Kinsey. The Committee is charged with responsibility for considering the composition of the AEG Boards and succession planning, as well as reviewing and making recommendations of the AEG Boards on the level of remuneration and performance of the Directors and senior executives within the organisation. The Committee met 11 times during the 2010 financial year.

The 2010 financial year has been a year of major challenge for AEG. The business is dependent on the performance and ongoing commitment of its employees to address the significant challenges of stabilising its financial structure through a number of initiatives and continued energy market and power generation operations. In these circumstances, the AEG Boards' approach to executive remuneration has been to provide a balance of fixed remuneration and retention focused short-term incentives.

Details of Directors and key management personnel

The following persons were Directors of AEG at any time during the year, up to the date of this report:

Name	
Mr Len Gill (Chairman)	
Mr Ross Rolfe (Managing Director & Chief Executive Officer)	
Mr Peter Kinsey	
Mr Rod Keller	Appointed 27 April 2010
Mr John Fletcher	Resigned 13 April 2010

Senior executives of the business considered to be key management personnel (KMP) of AEG during the year were:

Name		
Mr Ross Rolfe	Chief Executive Officer	
Mr Peter Brook	Chief Financial Officer	
Mr Brian Green	Chief Operating Officer	
Mr Len Chersky	General Manager, Business Strategy & Performance	Appointed 2 March 2010[1]
Mr Scott Turner	General Manager, Energy Markets	Appointed 1 September 2009[1]
Mr Zeki Akbas	General Manager, Alinta Sales	Appointed 10 August 2009, resigned 31 July 2010
Mr Victor Browner	General Manager, Alinta Sales (Acting)	Acting until 30 June 2009
Mr Andrew Bills	General Manager, Investments	Resigned 30 November 2009
Mr Andrew Kremor	General Manager, Energy Markets	Resigned 31 August 2009

1 Messrs Chersky and Turner were employees of the Group prior to their appointment to the KMP roles above.

Unless otherwise stated, the Directors and KMP have held their position for the entire financial year.

Key management personnel remuneration

The aggregate remuneration of the KMP of AEG for the year ended 30 June 2010 and 2009 is set out below:

	2010 $'000	2009 $'000
Short-term employee benefits	6,558,972	4,709,296
Post-employment benefits	105,129	126,282
Other long-term benefits	777,206	227,509
Termination benefits	–	406,615
Share-based payments[1]	–	(360,455)
Total	**7,441,307**	**5,109,247**

1 The 2009 balances include losses as a result of executives forfeiting benefits previously available under Babcock & Brown Group (B&B) sponsored equity settled and cash settled share-based payment schemes, including Share Awards, B&B Bonus Deferral Rights (BDRs) and performance-based option schemes. Benefits were forfeited as a result of the cessation of employment relationships with B&B during 2009.

Options held in AEG

The KMP did not hold any options in AEG over the years ending 30 June 2010 and 30 June 2009, nor are there any options outstanding in AEG.

Security holdings in AEG

Outlined below are the security holdings of the KMP over the years ending 30 June 2009 and 30 June 2010 in AEG:

	Balance at 30 June 2008 Number	Acquired during the year Number	Sold during the year Number	Balance at 30 June 2009 Number	Acquired during the year Number	Sold during the year Number	Balance at 30 June 2010 Number
Directors							
Mr Ross Rolfe	–	–	–	–	–	–	–
Mr Len Gill	78,000	4,229[1]	–	82,229	–	–	82,229
Mr Peter Kinsey	16,000	–	–	16,000	–	–	16,000
Mr Rod Keller	–	–	–	–	–	–	–
Mr John Fletcher	108,767	–	–	108,767	–	–	108,767[2]
KMP							
Mr Peter Brook	–	–	–	–	28,000	–	28,000
Mr Brian Green	300	–	–	300	–	–	300
Mr Len Chersky	–	–	–	–	–	–	–
Mr Scott Turner	–	–	–	–	–	–	–
Mr Zeki Akbas	–	–	–	–	–	–	–
Mr Victor Browner	6,978	–	–	6,978	–	–	6,978[2]
Mr Andrew Bills	–	–	–	–	–	–	–[2]
Mr Andrew Kremor	–	–	–	–	–	–	–[2]

1 Acquired as a consequence of the closure of a financial product in which Mr Gill's superannuation fund had invested. Refer to ASX announcement dated 22 January 2009.

2 Effective as at date of respective resignation.

Securities granted as remuneration

No securities were granted as remuneration to the Directors and KMP during the financial year and no securities were acquired upon the exercise of options during the financial year. Directors are not eligible for securities as remuneration.

Loans to key management personnel and their personally related entities from AEG

No loans have been made by AEG to Directors and KMP over the years ending 30 June 2010 and 30 June 2009.

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

12. RELATED PARTIES DISCLOSURES (CONTINUED)

(a) Director and executive remuneration (continued)

Remuneration of the executives for the 2010 financial year

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

		Short-term employee benefits				
	Year	Salary (cash) $	Short-term incentive[5] $	Retention incentive $	Non-monetary benefits[2] $	Total of short-term employee benefits $
Executives						
Mr Ross Rolfe[2]	**2010**	**976,250**	**565,644**	**94,957**	**–**	**1,636,851**
	2009	727,499	240,000	365,043	–	1,332,542
Mr Peter Brook[1,2]	**2010**	**470,000**	**218,535**	**239,371**	**–**	**927,906**
	2009	345,688	150,000	246,629	–	742,317
Mr Brian Green[1,2]	**2010**	**433,333**	**162,448**	**238,341**	**–**	**834,122**
	2009	430,000	46,000	240,659	–	716,659
Mr Len Chersky[1,2,3,4]	**2010**	**408,333**	**397,983**	**143,000**	**–**	**949,316**
	2009	–	–	–	–	–
Mr Scott Turner[1,2,4]	**2010**	**367,740**	**154,989**	**170,624**	**–**	**693,353**
	2009	–	–	–	–	–
Mr Tim Hunt-Smith[2,4]	**2010**	**206,833**	**271,231**	**–**	**–**	**478,064**
	2009	–	–	–	–	–
Mr Zeki Akbas[1,2,4]	**2010**	**444,841**	**–**	**220,000**	**–**	**664,841**
	2009	–	–	–	–	–
Mr Andrew Kremor[2]	**2010**	**77,508**	**–**	**14,399**	**–**	**91,907**
	2009	430,938	–	118,555	–	549,493
Mr Andrew Bills[2]	**2010**	**237,271**	**–**	**45,341**	**–**	**282,612**
	2009	413,750	60,000	240,659	–	714,409
Mr Victor Browner[7]	**2010**	**–**	**–**	**–**	**–**	**–**
	2009	269,725	–	81,343	–	351,068
Mr Paul Simshauser[8]	**2010**	**–**	**–**	**–**	**–**	**–**
	2009	165,308	–	–	–	165,308
Mr James Brown[8]	**2010**	**–**	**–**	**–**	**–**	**–**
	2009	137,500	–	–	–	137,500
Total remuneration	**2010**	**3,622,109**	**1,770,830**	**1,166,033**	**–**	**6,558,972**
for executives	2009	2,920,408	496,000	1,292,888	–	4,709,296

1 These are the five executives who received the highest emoluments in the 2010 financial year.
2 A number of executives receive salary continuance insurance under an AEG group policy. The insurance premium paid by AEG in respect of that policy relating to the period 28 February 2010 to 28 February 2011 has not been apportioned to individual executives.
3 Mr Chersky received a one-off payment in recognition of his outstanding contribution to the achievement of key strategic initiatives of $150,000, which is included in the short-term incentive column.
4 These executives do not have prior period remuneration disclosed because either they were not employed in the service of AEG or they were not considered KMPs in the previous year.
5 The 2009 balances include losses as a result of executives forfeiting benefits previously available under the former employer (Babcock & Brown) sponsored equity settled share-based payment schemes, including Share Awards, Babcock & Brown Bonus Deferral Rights (BDRs) and performance-based option schemes. Benefits were forfeited as a result of the cessation of employment relationships with Babcock & Brown Limited during 2009.
6 The 2009 balances include losses as a result of relevant executives forfeiting benefits previously available under the Babcock & Brown sponsored cash settled share-based bonus deferral rights scheme. Benefits were forfeited as a result of the cessation of employment relationships with Babcock & Brown Limited during 2009.
7 Mr Browner was Acting General Manager of the Alinta West retail division in 2009. In 2010, his role reverted back to his original appointment with the Group, one which is not considered a KMP. Accordingly, his remuneration for 2010 has not been disclosed.
8 Mr Simshauser and Mr Brown both resigned on 28 August 2008. They were not employed by AEG in the 2010 financial year.
9 Certain comparatives have been amended to reflect the remuneration of KMPs in the respective period.

Post-employment benefits	Termination benefits	Other long-term employee benefits		Share-based Payments		Total
Superannuation $	Severance payments $	Long-term incentive payment $	Long service leave liability $	Equity settled[5] $	Cash settled[6] $	$
14,461	**–**	**286,769**	**8,852**	**–**	**–**	**1,946,933**
13,744	–	160,000	14,632	(57,705)	–	1,463,213
14,461	**–**	**134,406**	**1,765**	**–**	**–**	**1,078,538**
10,309	–	–	4,082	–	–	756,708
14,461	**–**	**128,687**	**7,265**	**–**	**–**	**984,535**
13,744	–	–	11,174	(44,660)	(3,629)	693,288
14,461	**–**	**48,257**	**19,997**	**–**	**–**	**1,032,031**
–	–	–	–	–	–	–
12,051	**–**	**80,429**	**3,597**	**–**	**–**	**789,430**
–	–	–	–	–	–	–
10,846	**–**	**51,035**	**–**			**539,945**
–	–	–	–			–
15,952	**–**	**–**	**6,147**	**–**	**–**	**686,940**
–	–	–	–	–	–	–
2,410	**–**	**–**	**–**	**–**	**–**	**94,317**
13,744	–	–	9,019	(27,149)	(2,411)	542,696
6,026	**–**	**–**	**–**	**–**	**–**	**288,638**
15,821	–	–	9,302	–	–	739,532
–	**–**	**–**	**–**	**–**	**–**	**–**
45,176	–	–	19,300	–	–	415,544
–	**–**	**–**	**–**	**–**	**–**	**–**
6,872	15,138	–	–	(151,192)	(13,183)	22,943
–	**–**	**–**	**–**	**–**	**–**	**–**
6,872	391,477	–	–	(57,598)	(2,928)	475,323
105,129	**–**	**729,583**	**47,623**	**–**	**–**	**7,441,307**
126,282	406,615	160,000	67,509	(338,304)	(22,151)	5,109,247

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

12. RELATED PARTIES DISCLOSURES (CONTINUED)

(a) Director and executive remuneration (continued)

Executive employment contracts

The base salaries for executives as at 30 June 2010, in accordance with their employment contract, are shown below:

Executives	Base Remuneration per Service Agreement $
Mr Ross Rolfe	$1,035,000
Mr Peter Brook	$470,000
Mr Brian Green	$450,000
Mr Len Chersky	$450,000
Mr Scott Turner	$450,000
Mr Zeki Akbas	$450,000

The employment contract of Mr Ross Rolfe contains the conditions below:

Length of contract	Open-ended
Frequency of base remuneration review	Annual
Short-term incentive	Eligible to receive a maximum annual short-term incentive up to 60% of base salary.
Long-term incentive	Eligible to receive a maximum long-term incentive of up to 40% of base salary to be delivered in cash, securities or equivalent benefits as determined by the Board in its sole discretion.
Other benefits*	Eligible to participate in any other benefit plans that are established and made generally available to employees from time to time, in accordance with the rules of the plans.
Termination of employment	May be terminated by AEG with 12 months' written notice or by Mr Rolfe providing six months' written notice.

The employment contract of Mr Peter Brook contains the conditions below:

Length of contract	Open-ended
Frequency of base remuneration review	Annual
Short-term incentive	Eligible to receive a maximum annual short-term incentive of up to 60% of base salary.
Long-term incentive	Eligible to receive a maximum long-term incentive of up to 40% of base salary to be delivered in cash, securities or equivalent benefits as determined by the Board in its sole discretion.
Other benefits*	Eligible to participate in any other benefit plans that are established and made generally available to employees from time to time, in accordance with the rules of the plans.
Termination of employment	May be terminated by AEG with nine months' written notice or by Mr Brook providing three months' written notice.

* Retention scheme: Current executives in this report are identified as critical to the ongoing management and operation of AEG and have retention arrangements in place that fall due for payment during the 2011 financial year.

The employment contract of Mr Brian Green contains the conditions below:

Length of contract	Open-ended
Frequency of base remuneration review	Annual
Short-term incentive	Eligible to receive a maximum annual short-term incentive of up to 65% of base salary.
Long-term incentive	Eligible to receive a maximum long-term incentive of up to 40% of base salary to be delivered in cash, securities or equivalent benefits as determined by the Board in its sole discretion.
Other benefits*	Eligible to participate in any other benefit plans that are established and made generally available to employees from time to time, in accordance with the rules of the plans.
Termination of employment	May be terminated by AEG with six months' written notice or by Mr Green providing six months' written notice.

The employment contract of Mr Len Chersky contains the conditions below:

Length of contract	Open-ended
Frequency of base remuneration review	Annual
Short-term incentive	Entitled to receive a maximum annual short-term incentive of up to 80% of base salary and is eligible for discretionary bonuses payable upon the achievement of significant business milestones.
Long-term incentive	Eligible to receive a maximum long-term incentive of up to 15% of base salary to be delivered in cash, securities or equivalent benefits as determined by the Board in its sole discretion.
Other benefits*	Eligible to participate in any other benefit plans that are established and made generally available to employees from time to time, in accordance with the rules of the plans.
Termination of employment	May be terminated by AEG with one month's written notice or by Mr Chersky providing one month's written notice.

The employment contract of Mr Scott Turner contains the conditions below:

Length of contract	Open-ended
Frequency of base remuneration review	Annual
Short-term incentive	Eligible to receive a maximum annual short-term incentive of up to 50% of base salary.
Long-term incentive	Invitation accepted to participate in the FY2010 scheme. Eligible to receive a maximum long-term incentive of up to 25% of base salary to be delivered in cash, securities or equivalent benefits as determined by the Board in its sole discretion.
Other benefits*	Eligible to participate in any other benefit plans that are established and made generally available to employees from time to time, in accordance with the rules of the plans.
Termination of employment	May be terminated by AEG with three months' written notice or by Mr Turner providing three months' written notice.

* Retention scheme: Current executives in this report are identified as critical to the ongoing management and operation of AEG and have retention arrangements in place that fall due for payment during the 2011 financial year.

12. RELATED PARTIES DISCLOSURES (CONTINUED)

(a) Director and executive remuneration (continued)

Executive employment contracts (continued)
The employment contract of Mr Zeki Akbas contains the conditions below:

Length of contract	Maximum term contract – 28 May 2009 to 30 July 2011
Frequency of base remuneration review	Annual
Short-term incentive	Eligible to receive a maximum annual short-term Incentive of up to 50% of base salary, as determined by the Board in its sole discretion.
Long-term incentive	Not applicable
Other benefits*	Eligible to participate in any other benefit plans that are established and made generally available to employees from time to time, in accordance with the rules of the plans.
Termination of employment	May be terminated by AEG with three months' written notice or by Mr Akbas providing three months' written notice. Note: Mr Akbas has resigned from the employment with AEG. His arrangements ended on 31 July 2010.

* Retention scheme: Current executives in this report are identified as critical to the ongoing management and operation of AEG and have retention arrangements in place that fall due for payment during the 2011 financial year.

Independent Directors
The following persons were Independent Directors of AEG during the financial year:

Name	
Mr L F Gill (Independent Chairman)	appointed 29 October 2006, appointed chairman on 1 July 2008
Mr P M Kinsey (Independent Non-Executive Director)	appointed 29 October 2006
Mr R H Keller (Independent Non-Executive Director)	appointed 27 April 2010
Mr J Fletcher (Independent Non-Executive Director)	appointed 29 October 2006, resigned 13 April 2010

Remuneration policy and structure
Non-Executive Directors' individual fees, including committee fees, are reviewed by the Nomination & Remuneration Committee and then made the subject of a recommendation to the AEG Board for approval. Fees paid to the Non-Executive Directors must fall within the shareholder approved aggregate fee pool. The current maximum aggregate amount which may be paid to all Non-Executive Directors is $750,000 per annum.

The Independent Directors receive a cash fee for service. They do not receive any performance-based remuneration or any retirement benefits, other than receiving statutory superannuation.

It is noted that the Independent Directors initiated and accepted a voluntary reduction to their Directors' fees during the 2009 financial year. These fees were restored to their previous level during the 2010 financial year (with effect from 1 May 2010) so as to coincide with the change in composition of the AEG Board. Furthermore, to reflect the significant additional workload placed on the Independent Directors as a consequence of the deleveraging process, the Independent Directors are currently eligible to receive (and have received) some additional "per diem" payments which are based on the number of additional meetings prepared for and attended in a particular month. External advice was sought and received in regard to the appropriateness and quantum of the "per diem" arrangements. This "per diem" arrangement is temporary in nature in that it will only apply during the deleveraging process. The aggregate amount payable to the Independent Directors (being the base Directors' fees, superannuation and the "per diem" payments) will not exceed the shareholder approved Directors' fee pool.

Fees paid to the Independent Directors are in respect of their services provided to AEL and Alinta Energy Services Limited (AES), the Responsible Entity of the Alinta Energy Trust.

Fees payable to Independent Directors during the year ended 30 June 2010 are set out below:

Board/Committee	Role	Fee
Board	Independent Chair	$250,000
	Member	$125,000
Audit, Risk & Compliance Committee	Chair	$13,000
	Member	$6,500
Nomination & Remuneration Committee	Chair	$4,000
	Member	$2,000

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year ended 30 June 2010, and the number of meetings attended by each Director, are as follows:

Board or Committee	AEL Board Meetings		AES Board Meetings		Audit, Risk & Compliance Committee Meetings for AEL and AES		Nomination & Remuneration Committee Meetings for AEL		Energy Trading & Risk Management Committee Meetings for AEL[1]		Additional Committee Meetings[2]	
Held/Attended	H	A	H	A	H	A	H	A	H	A	H	A
Len Gill	71	71	73	73	10	10	11	11	16	16	2	2
John Fletcher	59	54	61	56	8	8	9	9	–	–	3	3
Rod Keller	10	10	10	10	2	2	1	1	–	–	–	–
Peter Kinsey	71	70	–	–	10	10	11	11	–	–	2	2
Ross Rolfe	71	67[3]	73	69[3]	–	–	–	–	16	10	3	3

Columns H – indicate the number of meetings held while the relevant Director was a member of the Board/Committee.

Columns A – indicate the number of those meetings attended by that Director.

1 The Energy Trading & Risk Management Committee is a committee comprising members both of the Board and of AEG senior management. Directors do not receive any additional remuneration for their attendance and participation in this Committee.

2 Additional Committees of the Board were constituted during the year in relation to the financial results or were separate meetings of the Independent Directors.

3 The four Board meetings not attended by Mr Rolfe dealt exclusively with Mr Rolfe's remuneration arrangements. Having regard to the subject matter of these meetings, the Board determined that Mr Rolfe not be present for the consideration and approval of his remuneration arrangements.

Remuneration of Non-Executive Directors for the years ended 30 June 2010 and 2009

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

		Short-term employee benefits	Post-employment benefits	
	Year	Fees	Superannuation	Total
Independent Non-Executive Directors				
Mr L F Gill (Chairman)	**2010**	**217,250**	**14,461**	**231,711**
	2009	224,534	13,745	238,279
Mr P M Kinsey	**2010**	**132,792**	**11,951**	**144,743**
	2009	134,371	12,093	146,464
Mr R H Keller (from 27 April 2010)	**2010**	**29,750**	**2,678**	**32,428**
	2009	–	–	–
Mr J A Fletcher (until 13 April 2010)	**2010**	**98,795**	**9,450**	**108,245**
	2009	138,833	12,495	151,328
Total remuneration for Non-Executive Directors	**2010**	**478,587**	**38,540**	**517,127**
	2009	497,738	38,333	536,071

12. RELATED PARTIES DISCLOSURES (CONTINUED)

(b) Securities granted as remuneration

No securities were granted as remuneration to the Directors and KMP during the financial year and no securities were acquired upon the exercise of options during the financial year. Directors are not eligible for securities as remuneration.

Loans to key management personnel and their personally related entities from AEG

No loans have been made by AEG to Directors and KMP over the years ending 30 June 2010 and 30 June 2009.

(c) Other related party transactions

Transactions involving other related parties

Receivables from related parties are disclosed in Note 4. Payables to related parties are disclosed in Note 5. These balances are with AEL. Transactions were made on normal commercial terms and conditions and under normal market rates. Transactions with other related parties are associated with Babcock & Brown International Pty Limited, a security holder of AEG during the year.

Custodian, responsible entity and manager fees and costs

During the year, Alinta Energy Group announced the settlement of its arrangements with Babcock & Brown International Pty Limited and its related entities (B&B). This settlement resulted in the termination of the management and advisory agreements. The management agreements had previously resulted in B&B being entitled to various fees, which included a base fee, incentive fee, Responsible Entity fee and financial advisory fees. Total fees accrued during the current year were $421,000 (2009: $806,000). As a result of the settlement, all amounts payable to B&B were forgiven. Fees accrued in the current year, as well as amounts owing from previous periods, were credited to debt forgiveness in the profit and loss account. During the period, B&B sold its shareholdings in AEG and is not considered to be a related party at balance date.

13. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives

The Alinta Energy Group's treasury function provides services to the Trust, coordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the Trust. The Trust does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(i) Market risk

Interest rate risk

The Trust provided an interest free loan to AEL which has a fixed term of repayment for a maximum of 10 years (2009: 10 years). In the opinion of the Directors, the Trust has no interest rate risk.

(ii) Credit risk

Credit risk refers to the loss that AET would incur if a debtor or other counterparty fails to perform under its contractual obligations. The carrying amounts of financial assets recognised in the balance sheet best represent the Trust's maximum exposure to credit risk at reporting date.

Other than the receivable from AEL, the Trust has no significant concentrations of credit risk. The credit risk of all financial assets is consistently monitored in order to identify any potential adverse changes in the credit quality.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(c) Fair value of financial instruments

Other than the loan receivable from AEL, which due to a number of uncertainties the Directors presently cannot determine a reliable fair value for, the Directors are of the opinion that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2009: fair value).

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

14. REMUNERATION OF AUDITORS

	2010 $	2009 $
During the year the following fees were paid or payable for services provided by the auditor to AET.		
PricewaterhouseCoopers (PwC)	12,000	12,000

15. NET TANGIBLE ASSETS PER SECURITY

	2010	2009
Net tangible assets per unit	0.10	0.62
Net tangible assets per AEG stapled security	(1.13)	(1.48)

16. ADDITIONAL INFORMATION

Alinta Energy Trust is formed and operates in Australia.

Registered Office of the Trust

Level 7
50 Pitt Street
Sydney, New South Wales 2000
Telephone: +61 2 9372 2600

Principal place of business

Level 7
50 Pitt Street
Sydney, New South Wales 2000
Telephone: +61 2 9372 2600

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Alinta Energy Services Limited, the Responsible Entity of the Alinta Energy Trust (the Trust):
   (a) the financial statements and notes, set out on pages 6 to 27, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Trust's financial position as at 30 June 2010 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
2. The Trust has operated during the year in accordance with the provisions of the Trust Constitution dated 18 May 2006.
3. The Register of Unitholders has, during the year ended 30 June 2010, been properly drawn up and maintained so as to give true account of the unitholders of the Trust.
4. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors:

L. F. Gill

Mr L F Gill
Director, Alinta Energy Services Limited

Dated at Sydney this 14th day of September 2010.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ALINTA ENERGY TRUST

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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DX 77 Sydney
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Telephone +61 2 8266 0000
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Independent auditor's report to the members of Alinta Energy Trust (formally Babcock & Brown Power Trust)

Report on the financial report

We have audited the accompanying financial report of Alinta Energy Trust (formally Babcock & Brown Power Trust) (the trust), which comprises the balance sheet as at 30 June 2010, the statement of comprehensive income, statement of changes in unit holders interests and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Alinta Energy Trust.

Directors' responsibility for the financial report

The directors of the Alinta Energy Services Pty Limited as the Responsible Entity for the trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*.This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ALINTA ENERGY TRUST

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Alinta Energy Trust (formally Babcock & Brown Power Trust) (continued)

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Alinta Energy Trust (formally Babcock & Brown Power Trust) is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the trust's financial position as at 30 June 2010 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 trust's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding the value of loans to related parties

Without qualification to the opinion expressed above, we draw attention to Note 1(a) to the financial statements, which comments on the refinance initiatives of Alinta Energy Limited (AEL) and the significant uncertainty regarding the value of loans receivable from AEL with a carrying value at 30 June 2010 of $80,000,000. If for any reason AEL was unable to realise its assets and operate as a going concern, the ability for the Trust to realise its loan receivable from AEL in full may be compromised.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of
Alinta Energy Trust (formally Babcock & Brown Power Trust) (continued)

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Alinta Energy Trust (the trust) for the year ended 30 June 2010 included on the Alinta Energy Trust web site. The trust directors are responsible for the integrity of the Alinta Energy Trust web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
14 September 2010