

**GENERATOR INCOME TRUST**

A.B.N. 69 748 727 372

**INTERIM REPORT FOR THE HALF-YEAR ENDED  
31 DECEMBER 2008**



MACQUARIE

# Generator Income Trust

## Interim report - for the half-year ended 31 December 2008

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made in respect of Generator Income Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers Generator Income Trust as an individual entity.

The responsible entity of Generator Income Trust is Generator Investments Australia Limited (ABN 37 103 116 954). The responsible entity's registered office is Level 10, 135 King Street, Sydney NSW 2000.

**Directors' report**

The directors of Generator Investments Australia Limited ("GIAL"), the Trustee of Generator Income Trust ("the Trust"), present their report together with the financial report of the Trust, for the half-year ended 31 December 2008.

**Principal activities**

During the half-year, the Trust invested funds in accordance with the provisions of the Trust Deed.

The Trust did not have any employees during the half-year and there were no significant changes in the nature of the Trust's activities during the half-year.

**Directors**

The following persons held office as directors of GIAL during the half-year or since the end of the half-year and up to the date of this report:

- Bruce N Terry
- Alan J A Corr
- Craig Swanger
- Gary F Vassallo (resigned 12 February 2009)
- Kathy Vincent (appointed 4 March 2009)

**Review and result of operations**

During the half-year, the Trust maintained its investment strategy in structured securities.

The investment policy of the Trust continues to be that detailed within the provisions of the governing documents of the Trust.

Credit events and trading reductions in relation to the principal portfolio can affect repayment of principal to noteholders at maturity.

On 15 September 2008 one of the reference companies in the principal portfolio and income portfolio, Lehman Brothers Holdings Inc, filed for Chapter 11 bankruptcy. This event reduced the income on the notes by around 80% to approximately 2% of capital and reduced the remaining credit protection from over 10% to around 8.7%.

On 8 December 2008 a second reference company in the principal portfolio and income portfolio, Tribune Co, filed for Chapter 11 bankruptcy. At the time of default, its estimated weighting in Generator Income Notes was 0.2% in the income portfolio and 0.35% in the principal portfolio. The principal buffer is expected to reduce to 8.35% and income is expected to be reduced by a further 30% as a very low recovery rate is expected.

**Results**

The performance of the Trust, as represented by the results of its operations, was as follows

	Half-year ended 31 December 2008	Half-year ended 31 December 2007
	\$	\$
Operating profit before finance costs attributable to unitholders	16,269	5,445
Distribution paid and payable *	7,714	13,447
Distribution (\$ per unit) *	77.14	134.47

\* Distribution paid during the half year related to the previous period.

**Trustee remuneration**

GIAL, as Trustee of the Trust, receives a fee equal to 0.03% (GST exclusive) of the principal amount of notes issued at the end of each financial year.

**Directors' report (continued)**

**Significant changes in state of affairs**

In the opinion of the directors, there were no significant changes in the state of affairs of the Trust that occurred during the half-year under review not otherwise disclosed in this report.

**Matters subsequent to the end of the half-year**

No matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may significantly affect:

- (i) the operation of the Trust in future financial periods; or
- (ii) the results of those operations in future financial periods; or
- (iii) the state of affairs of the Trust in future financial periods.

**Likely developments, business strategies and prospects**

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in governing documents of the Trust and in accordance with the provisions of the Trust Deed.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information relating to the future developments in the operations of the Trust and the expected results of those operations have not been included in the report because the Trustee believes it may result in unreasonable prejudice to the Trust.

**Indemnification and insurance of Officers and Auditors**

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either GIAL or the auditors of the Trust. So long as the officers of GIAL act in accordance with the Trust Deed and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

**Fees paid to and interests held in the Trust by the Trustee or its Associates**

Fees paid to the Trustee during the half year are in accordance with the Trust Deed and the governing documents of the Trust. Fees paid and payable to the Trustee and its associates for the half-year ended 31 December 2008 were \$23,145 (Half-year ended December 2007: \$23,145). Expenses incurred that relate to the Trust's operations have or will be paid out of an Escrow account funded by Macquarie Equities Limited, the Lead Manager of the Trust's notes issue and a subsidiary of Macquarie Group Limited.

No fees were paid to the directors of the Trustee during the half-year out of Trust property.

No interests in the Trust were held by the Trustee or its associates as at the date of this report (2007: nil).

**Value of financial assets held at fair value through profit or loss**

	31 December 2008	30 June 2008
	\$	\$
Value of financial assets held at fair value through profit or loss	<b>50,147,500</b>	99,631,510

The value of the Trust's financial assets held at fair value through profit or loss is derived using the basis set out in the accounting policies which are consistent with those of the previous financial year and corresponding interim period.

**Directors' report (continued)**

**Interests in the Trust**

The movement in units on issue in the Trust during the period are set out below:

	<b>31 December 2008 No.</b>	<b>31 December 2007 No.</b>
Units on issue at the beginning of the period	<b>100</b>	100
Units issued/(redeemed) during the period	-	-
Units on issue at the end of the period	<b>100</b>	100


**Environmental Regulation**

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory Law.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.



Craig Swanger

Director

Sydney  
10 March 2009

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## Auditors' Independence Declaration

As lead auditor for the review of Generator Income Trust for the half year ended 31 December 2008, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Generator Income Trust.



Craig Stafford

Partner  
PricewaterhouseCoopers

Sydney  
4 March 2009

**Generator Income Trust**  
**Income statement**  
**For the half-year ended 31 December 2008**

	Notes	Half-year ended 31 December 2008 \$	Half-year ended 31 December 2007 \$
<b>Investment income</b>			
Interest income		1,581,769	6,607,030
Change in the fair value of financial assets at fair value through profit or loss		(49,484,010)	(10,330,385)
<b>Investment (loss)/income on financial assets held at fair value through profit or loss</b>		<b>(47,902,241)</b>	<b>(3,723,355)</b>
Interest expense		(1,573,106)	(6,603,938)
Change in the fair value of financial liabilities at fair value through profit or loss		49,484,010	10,330,385
<b>Investment income/(loss) on financial liabilities held at fair value through profit or loss</b>		<b>47,910,904</b>	<b>3,726,447</b>
<b>Net investment income</b>		<b>8,663</b>	<b>3,092</b>
Other operating income		8,669	4,153
<b>Total income</b>		<b>17,332</b>	<b>7,245</b>
<b>Total operating expenses</b>		<b>1,063</b>	<b>1,800</b>
<b>Operating profit before finance costs</b>		<b>16,269</b>	<b>5,445</b>
<b>Finance costs attributable to unitholders</b>			
Distribution to unitholders	4	-	-
(Increase)/decrease in net assets attributable to unitholders		(16,269)	(5,445)
<b>Profit/(loss) for the half-year</b>		<b>-</b>	<b>-</b>

*The above income statement should be read in conjunction with the accompanying notes.*

**Generator Income Trust**  
**Balance sheet**  
**As at 31 December 2008**

	Notes	31 December 2008 \$	30 June 2008 \$
<b>ASSETS</b>			
Cash and cash equivalents		294,787	7,814
Receivables		450,421	3,236,749
Financial assets held at fair value through profit or loss	5	50,147,500	99,631,510
<b>Total assets</b>		<b>50,892,708</b>	<b>102,876,073</b>
<b>LIABILITIES</b>			
Distribution payable		-	7,714
Payables		728,839	3,236,749
Financial liabilities held at fair value through profit or loss	6	50,147,500	99,631,510
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>50,876,339</b>	<b>102,875,973</b>
<b>Net assets attributable to unitholders - liability</b>	<b>3</b>	<b>16,369</b>	<b>100</b>

*The above balance sheet should be read in conjunction with the accompanying notes.*



**Generator Income Trust**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2008**

	Notes	Half-year ended 31 December 2008 \$	Half-year ended 30 December 2007 \$
<b>Total equity at the beginning of the half-year</b>		-	-
Profit/(loss) for the half-year		-	-
Net income/(expense) recognised directly in equity		-	-
<b>Total recognised income and expense for the half-year</b>		-	-
<b>Transactions with unitholders in their capacity as unitholders:</b>		-	-
<b>Total equity at the end of the half-year</b>		-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the half-year.

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

Generator Income Trust  
Cash flow statement  
For the half-year ended 31 December 2008

	Notes	Half-year ended 31 December 2008 \$	Half-year ended 31 December 2007 \$
<b>Cash flows from operating activities</b>			
Interest received		4,368,096	6,486,168
Interest paid		(4,081,016)	(6,483,077)
Other income received		8,669	4,153
Operating expenses paid		(1,062)	(1,799)
<b>Net cash inflows/(outflows) from operating activities</b>		<b>294,687</b>	<b>5,445</b>
<b>Cash flows from financing activities</b>			
Distributions paid		(7,714)	(13,447)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>(7,714)</b>	<b>(13,447)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>286,973</b>	<b>(8,002)</b>
Cash and cash equivalents at the beginning of the half-year		7,814	13,547
Cash and cash equivalents at the end of the half-year		<b>294,787</b>	<b>5,545</b>

*The above cash flow statement should be read in conjunction with the accompanying notes.*

## **1. Basis of preparation of interim report**

This interim financial report covers Generator Income Trust (the "Trust") as an individual entity. The Trust was constituted on 29 October 2004. The Trust will terminate on 29 March 2084 unless terminated earlier in accordance with the provisions of the Trust Deed.

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001. This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made in respect of the Trust during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Trustee of the Trust is Generator Investments Australia Limited. The Trustee's registered office is Level 10, 135 King Street, Sydney, NSW 2000.

The financial statements were authorised for issue by the directors on 10 March 2009. The directors of the Trustee have the power to amend and reissue the financial report.

## **2. Summary of significant accounting policies**

### **a) Accounting for financial assets (structured securities) and financial liabilities (unsecured notes)**

The Trust's financial assets and liabilities at fair value through profit or loss are initially recognised at fair value, excluding transaction costs which were expensed as incurred. They are subsequently valued at their fair values as at reporting date. Gains and losses arising from changes in fair value are included in the income statement in the period in which they arise.

#### **i) Financial assets at fair value through profit or loss**

The Trust's financial assets at fair value through profit or loss comprise credit linked notes (Aria notes). The Trust's Aria notes are not traded on an active market. However, the risks and features of the Aria notes are identical to those of the Trust's financial liabilities at fair value through profit and loss (unsecured notes), which are listed on the Australian Stock Exchange (ASX).

Based on the assumption that the market price of the Trust's unsecured notes is the best indicator of the fair value of the Aria notes due to the instruments' identical risks and features, the Trustee has applied a valuation technique that imputes the fair value of the Aria notes from the quoted market price of the Trust's unsecured notes.

#### **ii) Financial liabilities at fair value through profit or loss**

The financial liabilities at fair value through profit or loss comprise unsecured notes issued by the Trust. The Trust's unsecured notes are listed on the Australian Stock Exchange (ASX) and are valued based on quoted market prices obtained from the ASX.

The Trust has designated its Aria notes and unsecured notes as at fair value through profit or loss as the Trust's unsecured notes contain embedded derivatives.

As the Trust's Aria notes and unsecured notes represent offsetting market risk positions for the Trust, the mid-price on the last trading day of the accounting period has been used to value the Trust's Aria notes and the unsecured notes.

**2. Summary of significant accounting policies – continued**

**b) Net assets attributable to unitholders**

As units are redeemable upon termination of the Trust under the provisions set out in the Trust Deed they are therefore classified as financial liabilities. Neither the Trust nor the Trustee is under any obligation to repurchase or redeem units before the termination of the Trust.

**c) Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes 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.

**d) Investment income and expense**

Interest income and expense are recognised in the income statement for all debt instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period of time where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**e) Expenses**

All expenses are recognised in the income statement on an accruals basis.

**f) Income tax**

Under current income tax legislation, the Trust is not subject to income tax provided the taxable income of the Trust is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Trust).

The Trust fully distributes its taxable income to unitholders.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

**g) Distributions**

In accordance with the Trust Deed, the Trust fully distributes its distributable (taxable) income to the unitholders by way of cash. The distributions are recognised in the income statement as finance costs attributable to unitholders.

**h) Increase/decrease in net assets attributable to unitholders**

Non-distributable income is included in net assets attributable to unitholders and may consist of unrealised changes in the net fair value of financial instruments held at fair value through profit or loss.

**i) Receivables**

Receivables include amounts for interest not yet received. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(d) above.

2. Summary of significant accounting policies – continued

j) Payables

These amounts represent liabilities for goods and services provided to the Trust prior to the balance date and accrued interest. Interest is accrued at the reporting date from the time of the last payment.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the balance sheet when unitholders are presently entitled to the distributable income under the Trust Deed.

k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of the expense.

The GST incurred on the costs of various services provided to the Trust by third parties such as audit fees, custodial services and investment management fees, have been passed onto the Trust. The Trust qualifies for Reduced Input Tax Credits (RITC's) at a rate of 75% hence for expenses paid out of the Escrow the Trust is entitled to recover this amount from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the cash flow statement on a gross basis.

l) Funds held in Escrow

Most expenses of the Generator Income Trust are paid out of the escrow account held by JPMorgan Chase Bank as Escrow Agent for the Generator Income Trust. Macquarie Equities Limited (MEL), a related party of GIAL, funded the escrow account in its role as Lead Manager when the notes were issued in December 2004. Interest on the cash held in this escrow account is payable to MEL on a quarterly basis. MEL is entitled to any residual cash remaining in the escrow account at the end of the term of the notes (after expenses have been paid). Expenses from this account are not expenses of the Trust and income isn't income of the Trust. The balance of the Escrow account is not an asset of the Trust.

The following expenses were paid by the Trust during the half-year from the escrow account (shown GST inclusive):

	Half-year ended 31 December 2008 \$	Half-year ended 31 December 2007 \$
Registry expenses	23,739	41,490
Debenture Trustee fees	50,919	-
Trustee's remuneration	22,473	19,487
Professional fees	15,510	13,200
ASX fees	724	1,144
Other	80	80

m) Use of estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity. Areas where assumptions are significant are as follows:

- Financial assets held at fair value through profit or loss (note 5), and
- Financial liabilities held at fair value through profit or loss (note 6).

**2. Summary of significant accounting policies – continued**

**m) Use of estimates (continued)**

To determine the fair value of the Aria notes, there is a range of possible valuation approaches, with a variety of outcomes due to the complexity of the instrument. Management have determined the fair value of the Aria notes using estimates and assumptions as set out in note 2(a).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial statements are reasonable.

**n) Segment reporting**

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

**3. Net assets attributable to unitholders**

**Movements in number of units and net assets attributable to unitholders during the half-year were as follows:**

As stipulated within the Trust Deed, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attached to it as all other units of the Trust.

	<b>Half-year ended 31 December 2008 No.</b>	<b>Half-year ended 31 December 2007 No.</b>	<b>Half-year ended 31 December 2008 \$ Liability</b>	<b>Half-year ended 31 December 2007 \$ Liability</b>
Opening balance	100	100	100	100
Increase in net assets attributable to unitholders	-	-	16,269	5,445
Closing balance	<b>100</b>	<b>100</b>	<b>16,369</b>	<b>5,545</b>

**4. Distributions to unitholders**

	<b>Half-year ended 31 December 2008 \$</b>	<b>Half-year ended 31 December 2007 \$</b>
Distributions payable to unitholders	-	-

5. Financial assets held at fair value through profit or loss

	31 December 2008	30 June 2008
	Fair value	Fair value
	\$	\$
<b>Designated at fair value through profit or loss</b>		
Structured securities – Aria notes	50,147,500	99,631,510
Total designated at fair value through profit or loss	50,147,500	99,631,510
<b>Total financial assets held at fair value through profit or loss</b>	50,147,500	99,631,510

The Aria notes were issued to the Trust in December 2004 with a face value of \$154,300,000 and will mature on 8 October 2011. The maturity date may be made earlier or later. The maturity date of the Aria Notes may be extended if there has been a credit event with respect to one or more reference companies and the final price has not been determined with respect to one or more of those reference companies three business days prior to the scheduled maturity date of the Aria Notes. In such an event payment of part of the principal sum may not be made until up to 130 business days after the scheduled maturity date. The Aria Notes may also be redeemed prior to maturity if an event of default occurs in respect of the Aria Notes.

The income on the Aria notes is calculated at the bank bill rate plus 2.00% per annum. This starting level of income on the Aria notes may be reduced by credit events or trading reductions if they occur. A credit event may occur if a reference company held in either or both of the income or principal portfolio:

- Becomes insolvent or bankrupt;
- Fails to pay when due at least US\$1 million in respect of borrowed money or such category of obligations eg bond or loan;
- Has at least US\$10 million of borrowed money which it owes restructured, subject to any other applicable requirements;
- Has one of its debt obligations involuntarily accelerated;
- Repudiates part of its debt or becomes subject to a debt moratorium.

On 15 September 2008 one of the reference companies in the principal portfolio and income portfolio, Lehman Brothers Holdings Inc, filed for Chapter 11 bankruptcy. This event reduced the income on the notes by around 80% to approximately 2% of capital and reduced the remaining credit protection from over 10% to around 8.7%.

On 8 December 2008 a second reference company in the principal portfolio and income portfolio, Tribune Co, filed for Chapter 11 bankruptcy. At the time of default, its estimated weighting in Generator Income Notes was 0.2% in the income portfolio and 0.35% in the principal portfolio. The principal buffer is expected to reduce to 8.35% and income is expected to be reduced by a further 30% as a very low recovery rate is expected.

Credit events and trading reductions in relation to the principal portfolio can affect repayment of principal to noteholders at maturity.

**6. Financial liabilities held at fair value through profit or loss**

	31 December 2008	30 June 2008
	Fair value	Fair value
	\$	\$
<b>Designated at fair value through profit or loss</b>		
Unsecured notes	50,147,500	99,631,510
Total designated at fair value through profit or loss	50,147,500	99,631,510
<b>Total financial liabilities held at fair value through profit or loss</b>	50,147,500	99,631,510

The unsecured notes were issued in December 2004 with a face value of \$154,300,000 and will mature on 8 October 2011. The maturity date of the unsecured notes may be extended if the term of the Aria Notes is extended. If there has been a credit event with respect to one or more reference companies and the final price has not been determined with respect to one or more of those reference companies three business days prior to the scheduled maturity date of the Aria Notes, payment of part of the principal sum may not be made until up to 130 business days after the scheduled maturity date. The unsecured notes may also be redeemed prior to maturity if an event of default occurs in respect of the Aria Notes.

The income on the unsecured notes is calculated at the bank bill rate plus 2.00% per annum. This starting level of income on the unsecured notes may be reduced by credit events or trading reductions if they occur. A credit event may occur if a reference company held in either or both of the income or principal portfolio:

- Becomes insolvent or bankrupt;
- Fails to pay when due at least US\$1 million in respect of borrowed money or such category of obligations eg bond or loan;
- Has at least US\$10 million of borrowed money which it owes restructured, subject to any other applicable requirements;
- Has one of its debt obligations involuntarily accelerated;
- Repudiates part of its debt or becomes subject to a debt moratorium.

Credit events and trading reductions in relation to the principal portfolio can affect noteholders' repayment of principal at maturity.

**7. Segment information**

**(i) Business segment**

The Trust is organised into one main business segment which operates solely in the business of investment management within Australia.

**(ii) Geographic segment**

While the Trust operates from Australia only, the Trust has investment exposures in different countries.

The Trust has invested in Aria notes which are issued by Aria CDO 1(Ireland) PLC, a company incorporated in Ireland. The investments are classified on the balance sheet at fair value through profit or loss.

Country	31 December 2008		30 June 2008	
	Total Assets	Percentage of Total Assets	Total Assets	Percentage of Total Assets
	\$	%	\$	%
Ireland	50,597,921	99.42	102,868,259	99.99
Australia	294,787	0.58	7,814	0.01
<b>Total</b>	<b>50,892,708</b>	<b>100.00</b>	<b>102,876,073</b>	<b>100.00</b>



**8. Events occurring after the balance sheet date**

No significant events have occurred since balance date which would impact on the financial position of the Trust disclosed in the balance sheet as at 31 December 2008 or on the results and cash flows of the Trust for the half-year ended on that date.

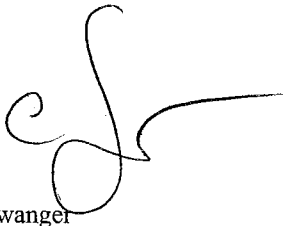
**9. Contingent assets and liabilities and commitments**

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2008 (30 June 2008: nil).

In the opinion of the directors of the Trustee:

- (a) the financial statements and notes set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of Generator Income Trust's financial position as at 31 December 2008 and of its performance, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Generator Income Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Craig Swangel  
Director

Sydney, 10 March 2009

PricewaterhouseCoopers  
ABN 52 780 433 757

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## Independent auditor's review report to the unitholders of Generator Income Trust

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Generator Income Trust (the "Trust"), which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Trust.

#### *Directors' responsibility for the Half-Year Financial Report*

The directors of Generator Investments Australia Limited (the "responsible entity") are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Generator Income Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

**Independent auditor's review report to the unitholders  
of Generator Income Trust  
(continued)**

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Generator Income Trust is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Craig Stafford

Partner

Sydney

4 March 2009