GENERATOR INCOME TRUST

A.B.N. 69 748 727 372

ANNUAL REPORT
YEAR ENDED 30 JUNE 2011

MACQUARIE

Generator Investments Australia Limited
ABN 37 103 116 954
C/-Company Secretarial
No. 1 Martin Place
SYDNEY NSW 2000

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Directors' Report
30 June 2011

The Directors of Generator Investments Australia Limited ("GIAL") (ABN 37 103 116 954), the Trustee of Generator Income Trust ("the Trust"), submit their report for the Trust for the year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The Trust invested funds in accordance with the provisions of the Trust Deed.

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

DIRECTORS

The names of the Directors of GIAL in office during the financial year and until the date of this report are:

Bruce N Terry
Alan J A Corr (resigned on 28 February 2011)
Craig Swanger
Katherine J Vincent

The Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

REVIEW OF RESULTS AND OPERATIONS

During the 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.

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

	2011 **$**	2010 $
Operating profit before finance costs attributable to unitholders ($)	**21,131**	3,862
Distribution paid and payable ($)	**21,131**	3,862
Distribution ($ per unit)	**211.31**	38.62

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 (2010: 0.03%).

VALUATION OF FINANCIAL ASSETS AND LIABILITES

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 statement of comprehensive income in the period in which they arise.

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 known as Generator Income Notes), which are listed on the 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.

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 ASX and are valued based on quoted market prices obtained from the ASX.

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.

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 financial year under review not otherwise disclosed in this report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has been no matter or circumstance that has arisen since the end of financial year that has significantly affected, or may significantly affect, the Trust's operations in future financial years, the results of those operations or the Trust's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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 Directors' report because the Trustee believes it may result in unreasonable prejudice to the Trust.

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, although the maturity date may be made earlier or later.

After the maturity of the Generator Notes, all monies due and payable to note holders will be repaid and in due course the Trust will be wound up

Directors' Report (continued)
30 June 2011

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the Directors or officers of the Responsible Entity. So long as they act in accordance with the Trust Constitution and the *Corporations Act 2001* (*the Act*), the Directors and officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf 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 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 year ended 30 June 2011 exclusive of GST were $81,008 (year ended June 2010: $46,290). 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 year out of Trust property.

C Swanger held 3,727 of the unsecured notes issued by the Trust at 30 June 2011 (2010: 3,727). No other directors held any of the unsecured notes issued by the Trust at any time during the year.

Value of Trust's financial assets

	2011	2010
	$	$
Value of Trust's financial assets at fair value through profit and loss	**147,171,340**	115,917,875

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.

The number of interests in the Trust and the unsecured notes issued by the Trust held by the Trustee or its associates as at the end of the year are disclosed in note 11 to the financial statements.

INTERESTS IN THE TRUST

The movement in units on issue in the Trust during the year are set out below and in Note 6 of the financial statements.

	2011	2010
	No.	No.
Units on issue at the beginning of the period	**100**	100
Units issued/(redeemed) during the period	**-**	-
Units on issue at the end of the period	**100**	100

Directors' Report (continued)

30 June 2011

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Trust are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Trust.

AUDITOR'S INDEPENDENCE DECLARATION

An independence declaration as required under section 307C of the *Corporations Act 2001* has been provided to the Directors by the auditor of Generator Income Trust, PricewaterhouseCoopers ("PWC"), and is set out on page 6.

ROUNDING OF AMOUNTS

In accordance with Australian Securities and Investments Commission Class Order 98/0100 (as amended), amounts in the Directors' Report and the Financial Report have been rounded off to the nearest dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

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Director
Sydney
17 August 2011

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Generator Income Trust for the year ended 30 June 2011 I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Generator Income Trust during the period.

Stephanie Smith
Partner
PricewaterhouseCoopers

Sydney
17 August 2011

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GENERATOR INCOME TRUST

Statement of Comprehensive Income

for the year ended 30 June 2011

	Notes	2011 $	2010 $
Investment income			
Interest income	3	**1,459**	-
Change in the fair value of financial assets at fair value through profit or loss	5	**31,253,465**	57,669,625
Net investment income on financial assets held at fair value through profit or loss		**31,254,924**	57,669,625
Change in the fair value of financial liabilities at fair value through profit or loss	5	**(31,253,465)**	(57,669,625)
Net investment (loss) on financial liabilities held at fair value through profit or loss		**(31,253,465)**	(57,669,625)
Net investment income		**1,459**	-
Other operating income		**19,727**	3,984
Total income		**21,186**	3,984
Bank fees		**(55)**	(122)
Total operating expenses		**(55)**	(122)
Operating profit		**21,131**	3,862
Finance costs attributable to unitholders			
Distributions to unitholders	7	**(21,131)**	(3,862)
(Increase)/decrease in net assets attributable to unitholders	6	**-**	-
Profit /(loss) for the year		**-**	-
Other comprehensive income		**-**	-
Total comprehensive income		**-**	-

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

GENERATOR INCOME TRUST

Statement of Financial Position
as at 30 June 2011

	Notes	**2011** $	2010 $
ASSETS			
Cash and cash equivalents	8	**21,231**	552
Receivables	9	**-**	3,410
Financial assets held at fair value through profit or loss	10	**147,171,340**	115,917,875
Total assets		**147,192,571**	115,921,837
LIABILITIES			
Distribution payable	7	**21,131**	3,862
Financial liabilities held at fair value through profit or loss	11	**147,171,340**	115,917,875
Total liabilities (excluding net assets attributable to unitholders)		**147,192,471**	115,921,737
Net assets attributable to unitholders - liability	6	**100**	100

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

Statement of Changes in Equity
for the year ended 30 June 2011

	Notes	2011 $	2010 $
Total equity at the beginning of the year		-	-
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-
Transactions with unitholders in their capacity as unitholders:		-	-
Total equity at the end of the year		-	-

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 financial year.

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

GENERATOR INCOME TRUST

Statement of Cash Flows

for the year ended 30 June 2011

	Notes	2011 $	2010 $
Cash flows from operating activities			
Interest received		**1,459**	-
Other income received		**19,727**	3,984
Operating income/ (expenses)		**3,355**	(3,532)
Net cash provided by operating activities	13	**24,541**	452
Cash flows from financing activities			
Distributions paid		**(3,862)**	(35,551)
Net cash used in financing activities		**(3,862)**	(35,551)
Net decrease in cash and cash equivalents		**20,679**	(35,099)
Cash and cash equivalents at the beginning of the financial year		**552**	35,651
Cash and cash equivalents at the end of the financial year		**21,231**	552

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2011

1. Corporate information

This 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 24 March 2084 unless terminated earlier in accordance with the provisions of the Trust Deed.

The Trust maintained its investment strategy in structured securities and continued to invest funds in accordance with the Trust Deed.

The Trustee of the Trust is Generator Investments Australia Limited ("GIAL") ("the Trustee"). The Trustee's registered office is No.1, Martin Place, Sydney, New South Wales, 2000, Australia.

The financial statements of Generator Income Trust for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 17 August 2011. The directors of the Trustee have the power to amend and reissue the financial report.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

a) Basis of preparation

The general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australia Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* in Australia.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The financial assets and liabilities held at fair value through profit and loss will mature in October 2011 and repayment of the principal will occur. The Trustee will then affect wind-up of the Trust. The Directors have therefore determined that the going concern basis of preparation is no longer appropriate. As such, the accounts have been prepared on a liquidation basis. There is no impact on the financial position of the Trust.

Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

Statement of Compliance

The financial report of the Trust also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

b) 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 statement of comprehensive income 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 Securities Exchange (ASX).

2. Summary of significant accounting policies – continued

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 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.

c) 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.

d) Cash and cash equivalents

For statement of cash flow 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.

e) Investment income

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.

f) Expenses

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

g) 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.

GENERATOR INCOME TRUST

Notes to the financial statements (continued)
for the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

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.

h) Distributions to unitholders

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.

i) 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.

j) Payables

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 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.

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 that set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant are:

- Financial assets held at fair value through profit or loss (note 10), and
- Financial liabilities held at fair value through profit or loss (note 11).

2. Summary of significant accounting policies (continued)

To determine the fair value of the Aria notes, there are a range of valuation approaches possible, 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(b).

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. Actual results in the future may differ from those reported.

n) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Trust for the annual reporting period ended 30 June 2011. The impact of these standards and interpretations has been assessed and to the extent applicable to the Trust are discussed below. Standards and Interpretations that are not expected to have a material impact on the Trust have not been included.

(i) *AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010 Amendment to Australia Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013).*

AASB 9 Financial Instruments addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded. Fair value gains and losses on available-for-sale debt investments, for example, will therefore be recognised directly in profit or loss. The Trust has not yet decided when to adopt AASB 9. However, management does not expect any impact on the Trust's financial statements as the Trust does not hold any available-for-sale investments.

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

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

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

In November 2010, the AASB issued AASB 2010-6 Disclosures on Transfers of Financial Assets which amends AASB 1 First time Adoption of Australian Accounting and AASB 7 Financial Instruments: Disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitize, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Trust's disclosures. The Trust intends to apply the amendment from 1 July 2011.

(iv) Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Trust does not expect that any adjustments will be necessary as the result of applying the revised rules.

2. Summary of significant accounting policies (continued)

o) 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. Interest income

Year ended 30 June 2011	**Average balance**	**Interest**	**Average rate**
	$	**$**	**%**
Cash and deposits - domestic	56,603	1,459	2.58
Structured securities	154,300,300	-	-
		1,459	

Year ended 30 June 2010	Average balance	Interest	Average rate
	$	$	%
Cash and deposits - domestic	65,370	-	-
Structured securities	154,300,300	-	-
		-	

The table shows the average balance for each of the major categories of interest-bearing assets, the amount of interest revenue and average interest rate. The average balances are calculated using monthly balances.

The income on the Aria notes and the corresponding interest expense on the unsecured notes was calculated at the bank bill rate plus 2.00% per annum. Due to the Idearc Inc. event on 3 April 2009, there is no further coupon being paid for the term of the notes. Therefore, during the current year, no interest income from Aria Notes has been recognised in the financial statements.

4. Audit and other services provided by PricewaterhouseCoopers ("PWC")

	2011	2010
	$	**$**
Amounts received or due and receivable by PricewaterhouseCoopers ("PWC") for:		
-an audit and review of the financial report of the Trust	**15,765**	18,156
	15,765	18,156

No non-audit fees were paid/payable during the year (2010: $Nil).

The cost of auditors' remuneration will be paid from the Escrow amount (refer note 12). No contingent liability has been recognised by the Trust in relation to the fees.

Notes to the financial statements (continued)
for the year ended 30 June 2011

5. Net gains/ (losses) on financial assets and liabilities held at fair value through profit or loss

Net gains/ (losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	2011	2010
	$	$
Unrealised gain/ (loss) on financial assets at fair value through profit or loss	**31,253,465**	57,669,625
Unrealised gain / (loss) on financial liabilities at fair value through profit or loss	**(31,253,465)**	(57,669,625)
Net gains/(losses) on financial assets and liabilities held at fair value through profit or loss	**-**	-

6. Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the 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 attaching to it as all other units of the Trust.

	2011	2010	**2011**	2010
	No.	No.	**$**	$
			Liability	Liability
Opening balance	**100**	100	**100**	100
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**-**	-
Closing balance	**100**	100	**100**	100

7. Distributions to unitholders

Timing of distributions

The distributions were paid/payable as follows:

	2011	**2011**	2010	2010
	$	**Per unit**	$	Per unit
Distributions payable	**21,131**	**211.31**	3,862	38.62
Distributions paid (related to prior year)	**3,862**	**38.62**	35,551	355.51

Notes to the financial statements (continued)
for the year ended 30 June 2011

8. Cash and cash equivalents

	2011 $	2010 $
Cash at bank	**21,231**	552
Total cash and cash equivalents	**21,231**	552

9. Receivables

	2011 $	2010 $
Other receivables	-	3,410
Total receivables	-	3,410

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

	2011 $	2010 $
Structured securities – Aria notes	**147,171,340**	115,917,875
Total designated as at fair value through profit or loss	**147,171,340**	115,917,875

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 was initially calculated at the bank bill rate plus 2.00% per annum. This starting level of income on the Aria notes was reduced by credit events or trading reductions. A credit event occurs 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.

Following the Idearc Inc. default in April 2009, there is no further income receivable on the Aria Notes. Therefore, future defaults will have no further income impact on the Aria Notes.

GENERATOR INCOME TRUST

Notes to the financial statements (continued) for the year ended 30 June 2011

11. Financial liabilities held at fair value through profit or loss

	2011 $	2010 $
Unsecured notes	**147,171,340**	115,917,875
Total designated as at fair value through profit or loss	**147,171,340**	115,917,875

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 was initially calculated at the bank bill rate plus 2.00% per annum. This starting level of income on the unsecured notes was reduced by credit events or trading reductions. A credit event occurs 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 repayment of principal to the unsecured noteholders at maturity. It is expected that the noteholders of Generator Income Trust will receive a full repayment of principal at maturity as long as the level of protection described in the offer document remains above zero.

12. Related party information

(i) Trustee

The Trustee of the Trust is Generator Investments Australia Limited ("GIAL"), a wholly owned subsidiary of Macquarie Group Limited ("MGL"). The registered office of the Trustee is No.1 Martin Place Sydney, New South Wales, 2000 Australia.

Under the terms of the Trust Deed, fees payable to the Trustee were:

	2011 $	2010 $
Annual trustee fees (GST exclusive)	**46,290**	46,290

In accordance with the Trust Deed, GIAL as Trustee of the Trust, receive a total fee of 0.03% (exclusive of GST) per annum (2010: 0.03%) of the principal amount of notes issued at the financial year under review.

Notes to the financial statements (continued)
for the year ended 30 June 2011

12. Related party information (continued)

(ii) Key management personnel ("KMP")
Key management personnel includes persons who were directors of Generator Investments Australia Limited at any time during the financial year as follows:

Bruce N Terry
Alan J A Corr (resigned on 28 February 2011)
Craig Swanger
Katherine J Vincent

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

Directors' holdings in the listed securities issued by the Trust
C Swanger held 3,727 of the listed securities issued by the Trust at 30 June 2011 (2010: 3,727). No other directors held any of the listed securities issued by the Trust at any time during the year.

(iv) Transactions with other related entities
Macquarie Group Limited ("MGL") is the ultimate parent of the Trustee.

From time to time, the Trust enters into transactions with parties related to the Trustee. These transactions are entered into with Macquarie Group Limited or entities it controls, on normal commercial terms.

Relevant transactions include:

- Deposits at call
As at 30 June 2011, deposits at call held with Macquarie Bank Limited were $21,231 (2010: $552). Interest income received on this balance for the year ending 30 June 2011is $1,459 (2010: Nil).

(v) Expenses paid out of Escrow
The following expenses related to the Trust's operations were paid out of an Escrow account (shown GST inclusive) that was funded by Macquarie Equities Limited, the Lead Manager of the Trust's notes issue and a subsidiary of MGL (refer to Note 2(l)). The trustee fees paid in year ending 30 June 2011 was for 21 months (2010: 12 months).

	2011	2010
	$	$
Trustee's remuneration	**89,108**	50,919
Registrar fees	**41,498**	53,354
Note trustee fees	**33,946**	30,960
Audit fees	**5,665**	12,474
Rating agency fees	**16,973**	16,973
Escrow agency fees	**5,500**	5,500
ASX fees	**10,463**	4,535
Tax fees	**3,410**	5,445
Other	**334**	-
Total	**206,897**	180,160

13. Reconciliation of profit to net cash inflow from operating activities

	2011	2010
	$	$
Operating profit	**21,131**	3,862
Decrease/(Increase) in receivables	**3,410**	(3,410)
Net cash inflow from operating activities	**24,541**	452

14. 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 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 as at fair value through profit or loss.

	2011		2010	
Country	**Total Assets**	**Percentage of Total Assets**	Total Assets	Percentage of Total Assets
	$	**%**	$	%
Ireland	**147,171,340**	**99.99**	115,917,875	99.99
Australia	**21,231**	**0.01**	3,962	0.01
Total	**147,192,571**	**100.00**	115,921,837	100.00

15. Financial risk management

The Trust's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Trust's overall risk management programme focuses on ensuring compliance with the Trust's Prospectus. The risk management policies employed by the Trust to manage these risks are discussed below.

15. Financial risk management (continued)

(a) Market risk

(i) Price Risk

Price risk is the risk that the value of the Trust's investment portfolio will fluctuate as a result of changes in market prices. This risk is managed by ensuring that all activities are transacted in accordance with the Trust Deed, overall investment strategy and within approved limits.

Price risk is mitigated through the appointment of AXA Investment Managers Paris S.A ("AXA IM") to manage price risk of the Aria notes by monitoring, selecting and trading the underlying investments, in accordance with the terms and conditions of the Aria Notes.AXA IM manages the principal portfolio to seek to maintain the credit rating on the return of the principal at maturity.

The principal investment and income investment are referenced to separate portfolios of Reference Companies, both of which are managed by AXA IM. AXA IM has flexibility to add, replace and remove Reference Companies in each portfolio as the characteristics of the market and individual companies change. Set within clear limits, this flexibility enables AXA IM to manage each portfolio.

Price risk is limited by the payment of income and repayment of the principal amount of the unsecured notes being dependent upon the payment of income and repayment of principal on the Aria Notes. This means that the redemption amount of the unsecured notes will not be greater than the redemption of the Aria Notes.

The Trust is not subject to price risk as any change in the fair value of financial assets at fair value through profit or loss is equal to the change in financial liabilities at fair value through profit or loss in accordance with the Trust's accounting policy described in Note 2(b), thus having nil impact on operating profit and net assets attributable to unit holders.

(ii) Interest rate risk

The Trust is not subject to material interest rate risks as the change in fair value of financial assets at fair value through profit or loss due to movements in interest rates is equal to the change in financial liabilities at fair value through profit or loss in accordance with the Trust's accounting policy described in Note 2(b), thus having nil impact on operating profit and net assets attributable to unitholders. Interest rate risk on other assets is not material.

(iii) Foreign exchange risk

There is no foreign exchange risk as all assets are denominated in Australian dollars.

(b) Credit risk

Credit risk is the risk of a counterparty failing to complete its contractual obligations when they fall due. Credit risk primarily arises from exposure to structured securities. Other credit risk arises from cash and cash equivalents. None of these assets are impaired nor past due but not impaired.

The performance of the Aria Notes is linked to the credit performance of a portfolio of debt issued by international companies. In the event of a global crisis in credit conditions, income and potential for additional amounts on maturity will be at significant risk of under performance. The AXA IM's ability to protect the income investment, and therefore the income, will determine the extent of any underperformance.

The repayment of the Principal Amount of the unsecured notes is dependent upon the repayment of principal on the Aria Notes. This is expected to be provided by the Principal Investment under the Swap Agreement. The Principal Investment and the Swap Agreement are designed to deliver 100% of the Aria Notes at maturity in accordance with the terms and conditions of the Aria Notes. Credit events and trading reductions in relation to the Principal Portfolio will affect noteholders' repayment of principal at maturity.

15. Financial risk management (continued)

(b) Credit risk (continued)

Impact of reductions:

- Credit events and/or trading reductions will first exhaust any trading reserve. Subsequent credit events and/or trading reductions which exceed the principal buffer of 10.3% of the principal portfolio will then reduce the principal amount of the Aria Notes.
- The principal investment will be 1.0% of the principal portfolio, therefore credit events and/or trading reductions equal to or exceeding 11.3% of the principal portfolio will reduce the principal amount to zero.
- Credit events and/or trading reductions in the principal portfolio can affect the credit rating on the return of principal at maturity for the Aria Notes and Unsecured notes.

The Aria Notes are exposed to the credit risk of Reference Companies from two separate tranches from two separate portfolios. These are income investment and the principal investment.

Income Investment
The Income Investment was a tranche of the Income Portfolio and was designed to deliver Income for the entire Aria Note. The Income Portfolio referenced the debt of approximately 170 predominantly investment grade rated reference companies. AXA IM managed this portfolio to seek to maintain the level of income on the Aria Notes, and therefore the unsecured notes. Credit events or trading reductions incurred by the income portfolio was borne by the income investment first and affected the level of income payable. The Income Investment was initially shielded by an income buffer from credit events or trading reductions incurred by AXA IM.

Principal Investment
The Principal Investment is a tranche of the Principal Portfolio and is designed to repay the Aria Note principal at Maturity. The Principal Portfolio references the debt of approximately 150 predominantly investment grade rated reference companies. The Principal Investment is shielded by a Principal Buffer from Credit Events or Trading Reductions incurred by AXA IM up to 10.0% (10.3% at inception) of the Principal Portfolio. AXA IM manages this portfolio to seek to maintain the credit rating on the return of principal at maturity. The 10.0% level of subordination is in excess of the 7.4% subordination required to maintain a AAA rating on principal. The reference companies of the income and principal portfolio are liable to change as the manager; AXA IM can add, remove or replace reference companies as detailed in the prospectus.

Investment manager
AXA IM has been appointed to manage the credit risk to maintain the credit rating and income level of the Aria Notes by monitoring, selecting and trading the underlying investments, in accordance with the terms and conditions of the Aria Notes. The Aria Notes take on the credit risk of Reference Companies in return for a defined level of income. AXA IM manages the inclusion or removal of Reference Companies in each portfolio.

Credit risk also includes the possibility that Aria does not perform its obligations under the Aria Notes. Aria may default for a number of reasons including the insolvency of Aria, default on the part of Aria to make any payment of principal or interest or failure to observe its other obligations. The obligations of Aria under the Aria Notes are limited in recourse to the assets outlined in the Aria Notes Trust Deed. If the proceeds of those assets under the agreement are insufficient to enable Aria to meet all due payments under the Aria Notes, Aria will not be required to pay the shortfall. Such non-performance by Aria would mean that the Trust may not be able to repay part or all of the principal or pay Income on the Unsecured notes. If that occurs, noteholders' security will be limited to the proceeds from disposal of the Aria Notes being the only material assets of the Trust.

Swap Counterparty
The Swap Counterparty is JPMorgan Chase Bank ("JPMorgan").The Swap Counterparty has entered into a swap with Aria which provides the total returns on the Aria Notes. In order to mitigate counterparty risk, the Swap Counterparty has agreed to downgrade triggers which may result in the Swap Counterparty being required to post collateral against its obligations to Aria or being replaced by an appropriately rated counterparty in the event its short term credit rating falls below a level prescribed by Standard and Poors.

15. Financial risk management (continued)

(b) Credit risk (continued)

Valuation of the assets
The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. The Aria notes are not actively traded; however the risks and features of the notes are identical to those of the unsecured notes issued by the Trust which are listed on the ASX. The mid-price on the last trading day of the accounting period has therefore been used to value both the Aria notes and the unsecured notes issued by the Trust.

An analysis of financial assets by rating is set out below.

	2011	2010
	$	$
Rated – A+pNRi*		
Structured securities		
Aria notes	**147,171,340**	115,917,875
Total A+ rated financial assets	**147,171,340**	115,917,875
Rated – A*		
Cash and cash equivalents	**21,231**	552
Total A rated financial assets	**21,231**	552
Total financial assets	**147,192,571**	115,918,427

* Ratings as per Standard and Poors

(c) Liquidity risk

Liquidity risk is the risk that the Trust will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. Liquidity risk is minimised through:

- The existence of the escrow account which has been established to cover the general operating expenses of the Trust (refer note 12); and
- Internal procedures that ensure that any quarterly interest income on the structured securities is received prior to the interest payment to the unsecured noteholders.

The escrow account is being used to pay the ongoing trustee, note trustee, ratings, listing and audit fees related to the Trust. The escrow account has been funded by Macquarie Equities Limited (MEL) and on establishment equalled approximately 1.35% of the face value of the Aria Notes. Interest earned on the cash held in this escrow account is payable to MEL on a quarterly basis. On maturity, MEL will be entitled to the residual cash remaining in the escrow account (after expenses have been paid). The cash in this escrow account will not be available to pay any amount in respect of the Trust.

15. Financial risk management (continued)

(c) Liquidity risk (continued)

The following tables analyse the Trust's financial liabilities into relevant maturity groupings based on remaining period to the earliest possible contractual maturity date at the year end date. The amounts in the table are contractual undiscounted cashflows.

2011

	Less than 6 months	**6 - 12 months**	**1 - 5 years**	**Total**
	$	**$**	**$**	**$**
Financial liabilities at fair value through profit or loss				
Unsecured notes	**147,171,340**	**-**	**-**	**147,171,340**
Distribution payable	**21,131**	**-**	**-**	**21,131**
Net assets attributable to unitholders	**-**	**100**	**-**	**100**
Total financial liabilities	**147,192,471**	**100**	**-**	**147,192,571**

2010

	Less than 6 months	6 - 12 months	1 - 5 years	Total
	$	$	$	$
Financial liabilities at fair value through profit or loss				
Unsecured notes	-	-	115,917,875	115,917,875
Distribution payable	3,862	-	-	3,862
Net assets attributable to unitholders	-	-	100	100
Total financial liabilities	3,862	-	115,917,975	115,921,837

(d) Fair values of financial assets and financial liabilities

The carrying amounts of the Trust's assets and liabilities at the balance sheet date approximate their fair values.

Liquidity amounts of the Trust's financial assets and financial liabilities not fair valued approximate their fair values at balance sheet date as all financial assets and liabilities not fair valued are short-term in nature.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their value recognised in the income statement.

15. Financial risk management (continued)

(d) Fair values of financial assets and financial liabilities – Continued

Fair value hierarchy

The Trust has adopted the amendments to AASB 7, effective 1 July 2009. This requires the Trust to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Trustee. The Trustee considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011.

	Level 1	**Level 2**	**Total**
	$	**$**	**$**
As at 30 June 2011			
Financial assets at fair value through profit or loss			
Aria notes	-	**147,171,340**	**147,171,340**
Total financial assets	-	**147,171,340**	**147,171,340**
Financial liabilities at fair value through profit or loss			
Unsecured notes	**147,171,340**	-	**147,171,340**
Total financial liabilities	**147,171,340**	-	**147,171,340**

	Level 1	Level 2	Total
	$	$	$
As at 30 June 2010			
Financial assets at fair value through profit or loss			
Aria notes	-	115,917,875	115,917,875
Total financial assets	-	115,917,875	115,917,875
Financial liabilities at fair value through profit or loss			
Unsecured notes	115,917,875	-	115,917,875
Total financial liabilities	115,917,875	-	115,917,875

16. Events after balance date

Since 30 June 2011 there have been no other matter or circumstances not otherwise dealt with in the financial report that have significantly affected or may affect the Trust (2010: none).

17. Commitments and contingencies

There are no commitments or contingencies at the reporting date (2010: none).

Directors' Declaration
30 June 2011

In accordance with a resolution of the Directors of Generator Investments Australia Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes set out on pages 7 to 26 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 2011 and of its performance for the financial year ended on that date; and

(ii) Complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements as issued by the International Accounting Standards Board.

(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; and

(c) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.a.

On behalf of the board.

....

Director
Sydney
17 August 2011

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

Report on the financial report

We have audited the accompanying financial report of Generator Income Trust, which comprises the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the responsible entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

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Independent auditor's report to the unitholders of Generator Income Trust (cont.)

Auditor's opinion

In our opinion:

(a) the financial report of Generator Income 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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 (a).

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matter. As indicated in Note 2 to the financial statements, it is management's intention to wind up the business prior to the next reporting period end of 30 June 2012. As a result, the financial statements have been prepared on a liquidation basis and not on a going concern basis

PricewaterhouseCoopers
PricewaterhouseCoopers

Stephanie Smith
Partner

Sydney
17 August 2011